TOM.COM LIMITED

Incorporated in the Cayman Islands with limited liability

Perseverance delivers...

Annual Report 2002

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

Contents

Online

Publishing

Sports &
Entertainment

Outdoor

Corporate Portfolio

- Solid Revenue of **HK$1,624 million**
- Positive EBITDA of **HK$52 million**
- Online Revenue up 78% to **HK$256 million**
- Offline Revenue tripled to **HK$1,368 million**

TOM Group is Greater China's leading Chinese-language media company. Its diversified interests span four media sectors: online, publishing, sports & entertainment and outdoor. Through acquisition and organic growth, the Company has secured a leadership position in each of its sectors.

The Company's strategy is to continue building a portfolio of unique media assets offering consumers and advertisers a wealth of content across multiple media platforms – thereby delivering attractive and sustainable returns to its shareholders.

Online

- The largest and fastest growing telecom VAS provider
- **10 million** registered SMS users sending **3.5 million** short messages daily
- **700,000** mobile and pay e-mail users
- **4 million** TOMNET Internet access cards sold
- **100 million** daily pageviews and **20 million** active online members

Publishing

- Most profitable publishing group in Taiwan
- **70 million** annual magazine circulation
- **15 million** copies of books published annually
- **50-plus** magazine titles and **18,000** book titles
- Advertising agent for **300** Mainland publications

Sports & Entertainment

- Largest domestic sports marketing company in Mainland China
- Over **10** sporting rights in Mainland China
- Sports TV programmes syndicated to over **50** TV channels
- **25 million** average daily TV viewership
- **20 million** audio-visual products distributed annually

Outdoor

- Consolidated leading outdoor media operators in Mainland China under TOM Outdoor Media Group
- Mainland China's largest billboard and unipole network
- **190,000** square metres of advertising space on **10,000** units
- Coverage in **5,000** prime locations across **25** cities
- One-stop professional outdoor media services

Business Highlights

Formed two joint ventures with CERNET Corporation, the commercial arm of Mainland China's largest research and education Internet backbone CERNET. The partnership engages in dial-up and other value-added services.

Acquisition of a 50% stake in Hong Xiang, Mainland China's leading manufacturer and distributor of music, film and TV programmes.

Acquired majority stakes in five leading players in Mainland China's outdoor media market, expanding network coverage to 25 cities.

Expanded sporting rights portfolio by acquiring a 60% stake in Tennis Management Group, a leading sports marketer owning exclusive rights to one of Asia's three ATP tennis tournaments.

Announced a Sino-foreign joint venture with prominent Mainland publisher Sanlian. TOM becomes the first foreign entity to engage in full-scale publishing operations in Mainland China.

Announced a joint venture with Popular Computer Group, Mainland China's largest IT publisher, to engage in magazine advertising and distribution business.

Established Cité Publishing Holding as the flagship company for TOM's Taiwan publishing business.

Announced a joint venture with Charm, gaining immediate access to the advertising agency business of Mainland China's largest TV station CCTV and hundreds of regional TV stations.

Announced a joint venture with Ming Sheng which owns advertising rights to 300 periodicals, magazines and newspapers with a combined monthly circulation of 100 million copies.

Corporate Information

Board of Directors

Chairman

Frank John Sixt

Executive Directors

Sing Wang
Lee Kwok Ming, Don
Leung Quan Yue, Michelle

Non-Executive Directors

Chang Pui Vee, Debbie
Chow Woo Mo Fong, Susan
Ip Tak Chuen, Edmond
Holger Kluge
James Sha
Wang Lei Lei

Independent Non-Executive Directors

Cheong Ying Chew, Henry
Lee Pui Ling, Angelina

Company Secretary

Mak Soek Fun, Angela

Qualified Accountant

Lee Kwok Ming, Don

Compliance Officer

Lee Kwok Ming, Don

Audit Committee

Lee Pui Ling, Angelina *(Committee Chairman)*
Cheong Ying Chew, Henry
Lee Kwok Ming, Don

Authorised Representatives

Lee Kwok Ming, Don
Mak Soek Fun, Angela

Sponsor

BNP Paribas Peregrine Capital Limited

Auditors

PricewaterhouseCoopers

Registered Office

P.O. Box 309
Ugland House
South Church Street, George Town
Grand Cayman
Cayman Islands
British West Indies

Head Office and Principal Place of Business

48/F, The Center
99 Queen's Road Central
Central
Hong Kong
Tel : (852) 2121 7838
Fax : (852) 2186 7711

Share Registrars

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
BNP Paribas
Canadian Imperial Bank of Commerce

Website Address

www.tomgroup.com

Stock Code

8001

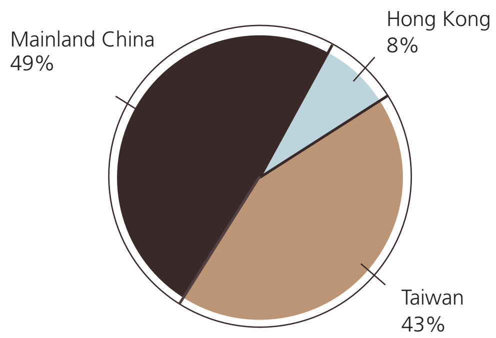
Financial Highlights

For the Year Ended 31 December

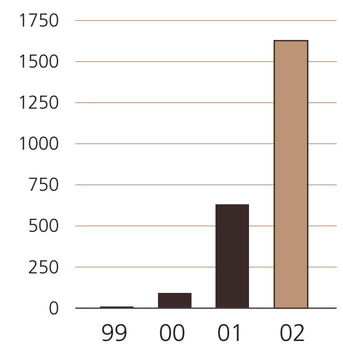
	2002 **HK$'000**	2001 HK$'000	2000 HK$'000	1999 HK$'000
Results				
Turnover	**1,624,126**	626,624	89,223	3,240
EBITDA* (loss)	**52,463**	(183,616)	(424,680)	(47,573)
Operating loss	**106,192**	230,592	383,336	53,339
Loss attributable to shareholders	**409,579**	635,887	1,265,285	53,060
Assets and liabilities				
Total assets	**2,553,363**	1,667,443	1,613,766	365,335
Total liabilities	**2,281,092**	1,088,440	826,709	389,050
Shareholders' funds / (deficits)	**272,271**	579,003	787,057	(23,715)

*Excluding one-time expenses and non-cash provisions totalling HK$230,998,000 (2001: HK$339,003,000 and 2000: HK$866,928,000)

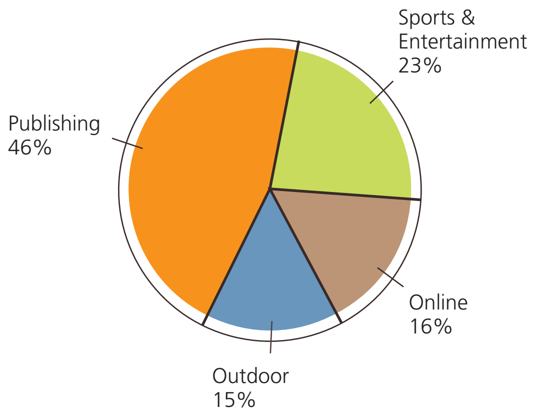
Turnover
by Geographical Segment (2002)



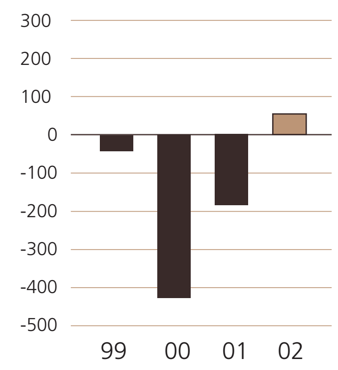
Turnover
(HK$ million)



Turnover
by Business Segment (2002)



EBITDA
(HK$ million)



Chairman's Statement

Frank John Sixt

Chairman, TOM.COM LIMITED
Group Finance Director
Hutchison Whampoa Limited

I write from London where Hutchison is launching its third generation (3G) wireless services this month. The first 3G video mobile is pictured in this report. 3G illustrates more aptly than any other technology development the steady progress of telecommunications and media evolution even during the unprecedented financial markets turmoil of the last three years. I believe that consistency, hard work and perseverance through adverse times bring success. I am proud to say that the TOM Group is an excellent example of this principle. From its beginnings as an Internet portal, the Group has evolved into a leading media and communications enterprise serving the Greater China market – during those same three years.

Our rapid evolution in response to the Internet shakeout that began in late 2000 reflects adaptability and agility. It reflects perseverance in seeking out value-enhancing opportunities and the best products to serve our customers – advertisers and consumers alike.

For advertisers, we have aggregated some of the most compelling media assets in Greater China under one umbrella. At our 2002 annual sales roadshow, advertising agencies and direct clients applauded the breadth and depth of our consumer reach. Most importantly, they believe in TOM's execution capability, in our team of media industry veterans and leaders, and in the impact of our brand.

Advertisers are drawn to the strength of our publishing assets in key consumer categories. They are confident in our extensive media network which maximises their media exposure at our sports events. They recognise the brand-building value of our nationwide outdoor media network. And they are excited about the new marketing opportunities presented by wireless technology in the Mainland as it is being constantly developed and led by our online division.

For consumers, we have aggregated a range of creative content for delivery to computer and TV screens, wireless devices, and onto the printed page. We strive to keep our finger on the pulse of both technology evolution and ever-changing consumer tastes for content, reflected by the solid operating performance of our assets. Our books and magazines regularly top Chinese language best-seller lists. Our sports games and TV programmes attract 200 million sports fans a year. Our wireless data applications enjoy one of the fastest user uptakes in the Mainland.

From my experience developing 3G wireless technology, I believe tomorrow's society will be networked and highly communications-enabled, with content playing an ever important role. Content creation and delivery are TOM's core competences, positioning the Company well for the future.

Our acquisition, consolidation, rationalisation and integration strategies adopted over the past three years have been rewarded by solid financial performance. Revenue increased by 17 times from HK$89 million to HK$1.6 billion in two years. EBITDA improved by about HK$477 million over the same period to reach positive cash flow of HK$52 million for the full year of 2002. We took the opportunity to make a HK$197 million provision for impairment of goodwill included in the purchase price of assets acquired in our earliest years. I believe this represents a conservative financial presentation in line with best practice and positions the Group on track to achieve after tax profitability.

To grow as quickly and successfully as TOM has requires a visionary, talented and disciplined team. Defending leadership positions, turning around under-performing operations and rapidly integrating new assets are not without their frustrations. However, challenges are overcome, thanks to the team's spirit, hard work, consistency and ability to see through difficult times to the success that lies beyond.

Our colleagues are the backbone of the Group and will continue to be the source of its growth and success. I give my sincerest thanks to all of them.

Frank John Sixt
Chairman
Hong Kong, 13 March 2003

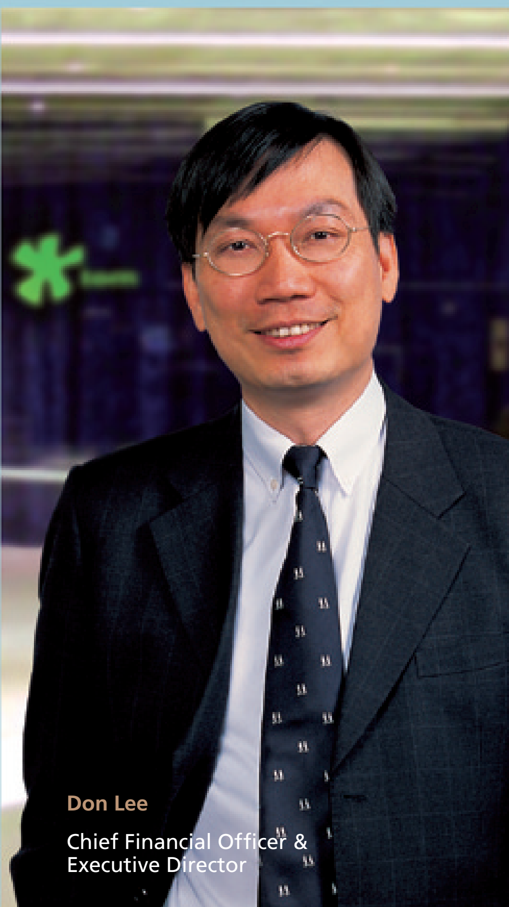
Management's Statement

Sing Wang

Chief Executive Officer &
Executive Director

Michelle Leung

Chief Operating Officer &
Executive Director



Don Lee

Chief Financial Officer &
Executive Director

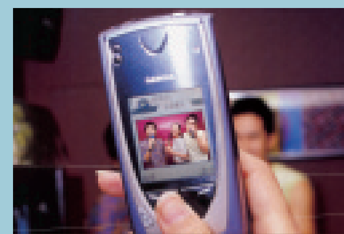
Robert Xie

Chief Investment Officer &
President, TOM Outdoor Media Group

Wang Lei Lei

Deputy Chief Operating Officer,
President, TOM Internet Group &
Non-Executive Director

A Unique and Leading Force in Greater China's Key Media Sectors



Sector Leadership

In 2002, TOM firmly established itself as a unique and leading force in Greater China's key media sectors.

- The online division distinguished itself as the largest and fastest growing telecom VAS provider among Chinese portals.
- The publishing division achieved a major breakthrough by securing significant print media assets in Mainland China which, together with TOM's leading Taiwan and Hong Kong properties, established the foundations for a premier Greater China publishing group.
- In sports marketing, pioneering sponsorship programmes and the acquisition of profitable ATP rights reinforced TOM's dominant position.
- TOM Outdoor Media Group consolidated an additional five leading operators, extending its dominance in billboards and unipoles across 25 key cities nationwide.
- TOM began consolidating its position in Mainland China's music and entertainment sector in partnership with industry leaders.

No other media company in the region has ventured to achieve our scale and our scope so quickly

Solid Results

Sector leadership delivered solid financial growth in 2002. Revenue reached HK$1,624 million, a 159% increase from the previous year. Online revenue grew by 78% to HK$256 million. Offline revenue tripled to reach HK$1,368 million.

In a significant financial milestone, the Group turned EBITDA positive in the second quarter of 2002 ahead of market expectation. Positive cash flow of HK$52 million was achieved for the full year, a HK$236 million improvement on the EBITDA loss of HK$184 million in the previous year. The Group is on track to attain after tax profitability.

Integration Discipline

TOM has successfully managed growth by turning integration into a core competency. Its replicable integration process begins with the enforcement of financial discipline. In parallel, common growth strategies are developed, including process optimisation strategies. Other stages of integration align key functions and corporate identity and drive synergies within the Group. The prevailing integration principle is to foster an environment in which creativity can flourish within a tightly controlled operation.

Integration Achievements

The online division is now one of the highest revenue generators with the most competitive cost structure among leading Chinese portals. The publishing division is approaching industry leading financial performance, led by the integration of PC Home and Cité to improved profitability. Synergies realised from integration in TOM Outdoor Media Group have generated significant incremental sales. In sports marketing, a unit acquired in 2000 has continued its growth to record levels this year.

Creativity

In new technology, media content and marketing programmes, TOM is a creative and innovative pioneer. TOM was the first to provide pay e-mail services and the first to supply MMS content to China Mobile nationwide. TOM formed a national World Cup fan club – also a first – as part of an original marketing programme for LG.

Content

Part of TOM's success is anchored in the ability to produce and deliver content of value to consumers in Greater China. Audience growth, critical acclaim and leading rankings have endorsed the outstanding entertainment and information content of the Group's portals, magazines, books, TV programmes and audio-visual products.

Outlook

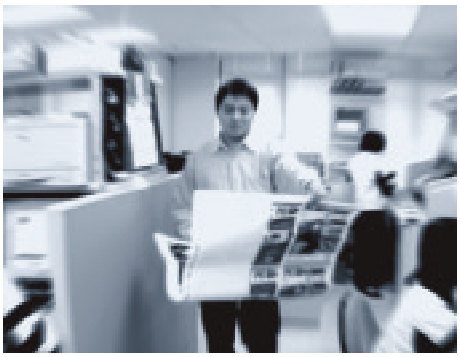
The media conglomerate model has come under challenge recently. While it is recognised that the scale and scope of a diversified business structure offer the benefits of internal operational synergies, the key to success lies not in the business structure but in the execution.

At TOM we believe that sector leadership coupled with investment and financial discipline would validate the media conglomerate model in Greater China. Strong execution – building cash flow, strengthening brand equity, and penetrating the market – is our foremost objective, which will enable us to realise our long-term strategic vision.

No other media company in the region has ventured to achieve our scale and our scope so quickly. In the absence of a blueprint unique to Chinese media, our staff is perfecting our every process through perseverance, hard work and creativity. Management would like to thank every one of them.

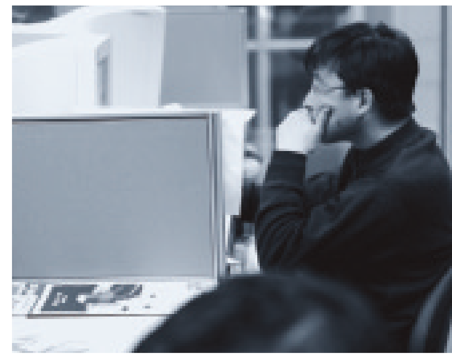

WWW.TOM.COM
tom 开源节流 同舟共济 攀登新高峰

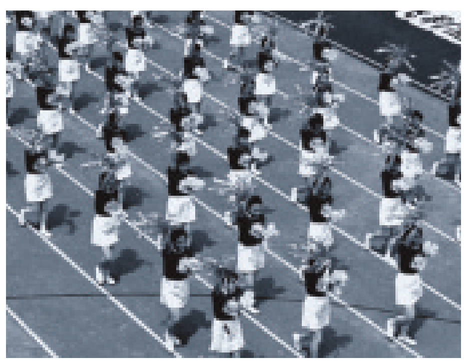


TOM Corporate Culture

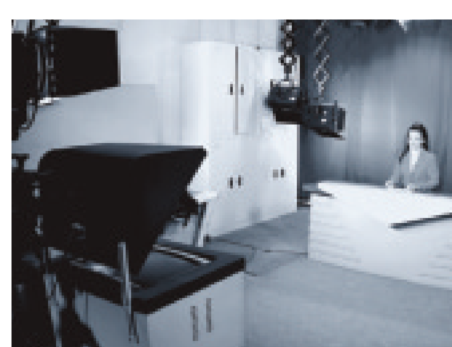
4R









What ties our businesses together is a cohesive corporate culture founded on four pillars:

Results

Ours are the most creative businesses, leaders in key media sectors across Greater China. In this diversity we are bound by a common goal – to create shareholder value driven by absolute results. Every business unit adheres to excellence in operating results, and with this comes excellence in financial results.

Respect

We believe in mutual respect. Respect between shareholders, management and colleagues. Respect between the head office and subsidiaries. The head office gives due respect to creative independence; subsidiaries give due respect to company targets and requirements.

4R

Resources

We are committed to the sharing of resources. Only through shared resources could we capitalise on the scale economies and competitive advantage inherent in our diverse media assets under one umbrella.

Reward

Rewarding our shareholders is always on the mind of the management. We demand a good return on our investments – a return based on long-term growth of a company that will stand the test of time.

Every week, TOM creates thousands of **picture messages, news, logos and ring-tones** for 10 million users

Online

133% Quarterly SMS
Revenue Growth

12-fold Increase in
Mobile & Pay E-mail Subscribers

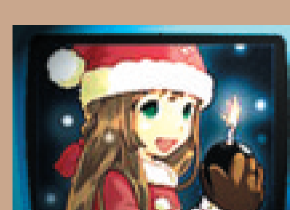
Wireless data service was the mainspring of growth

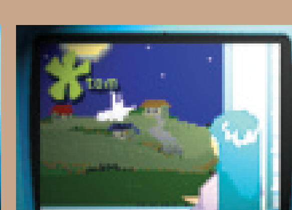
Narrowband

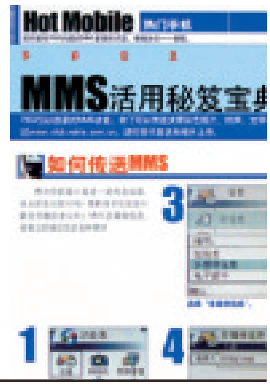
TOM's online business has emerged as one of the strongest financial performers in Greater China in less than three years. Successful execution of its telecom VAS and integration strategies steered narrowband operations in Mainland China to positive EBITDA in the second quarter and to profitability in the fourth quarter. Overall, the narrowband business achieved positive cash flow in the second half of 2002. These solid results were achieved within the shortest timeframe among Chinese portals.

Wireless data service was the mainspring of growth. SMS revenue grew at a compound quarterly rate of 133% and short message volume, at 160%. By the end of 2002, 10 million registered users were sending on average 3.5 million short messages a day. TOM.COM was the first service provider to supply MMS content to China Mobile nationwide, signing up over 200,000 users within two months from launch in November 2002. TOM accounted for 30% of China Mobile's MMS traffic.

163.net's mobile and pay e-mail service converted 700,000 users into paying subscribers by the end of 2002, up significantly from 60,000 in the previous year. The solution, upgraded with customised features, has been extended to enterprises. Other enterprise services provided during the year include system integration, Web outsourcing solutions and Internet access.

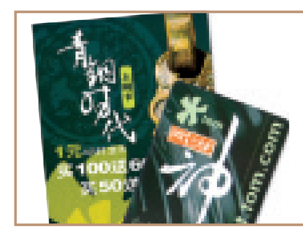


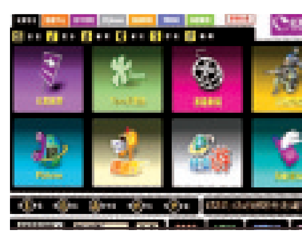




Telecom VAS business growth drove online revenue up 78% to HK$256 million

TOMNET Internet access service launched a global roaming service targeting corporate users, allowing seamless access in over 5,000 cities in 110 countries. Four million TOMNET access cards have been sold to date. Dial-up call ID service was launched in Beijing and further expansion will ride on joint venture partner CERNET's nationwide backbone.

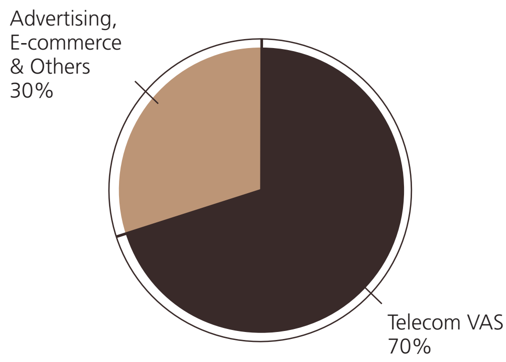




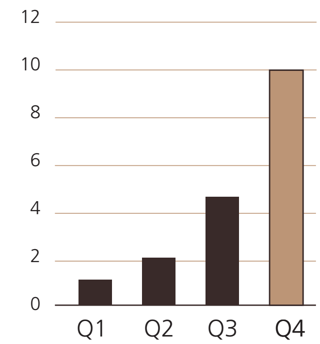
Broadband

TOM's broadband business focused on restructuring operations during the year. Several contracts have been secured with leading telecom operators, including China Unicom, China Telecom and Guangdong Telecom for the bundling of TOM's multimedia content with their broadband services.

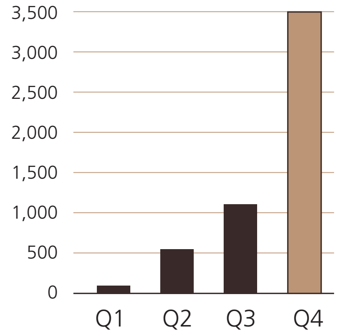
Narrowband Revenue Mix



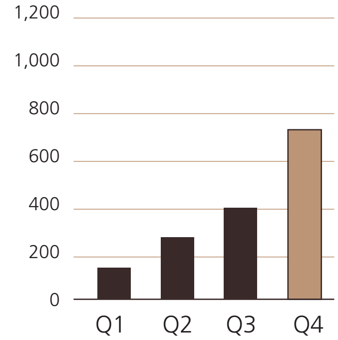
SMS User Growth
(million users)



SMS Daily Volume Growth
(thousand messages)



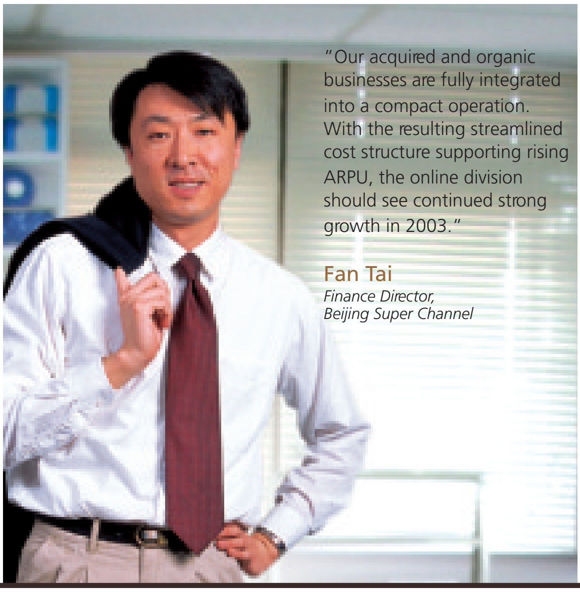
Mobile & Pay E-mail User Growth
(thousand users)



"TOM was a latecomer to the market just before the Internet sector came under pressure. The adversity sharpened our survival instincts and we pioneered a subscription-driven model with multiple business lines: telecom VAS, interactive marketing solutions and enterprise services. Our model has proven so successful that competitors have followed suit. But it's difficult to match our rapid conversion from 'T-to-T', or traffic-to-transaction, and ultimately to revenue."

Wang Lei Lei
President, TOM Internet Group

Growth

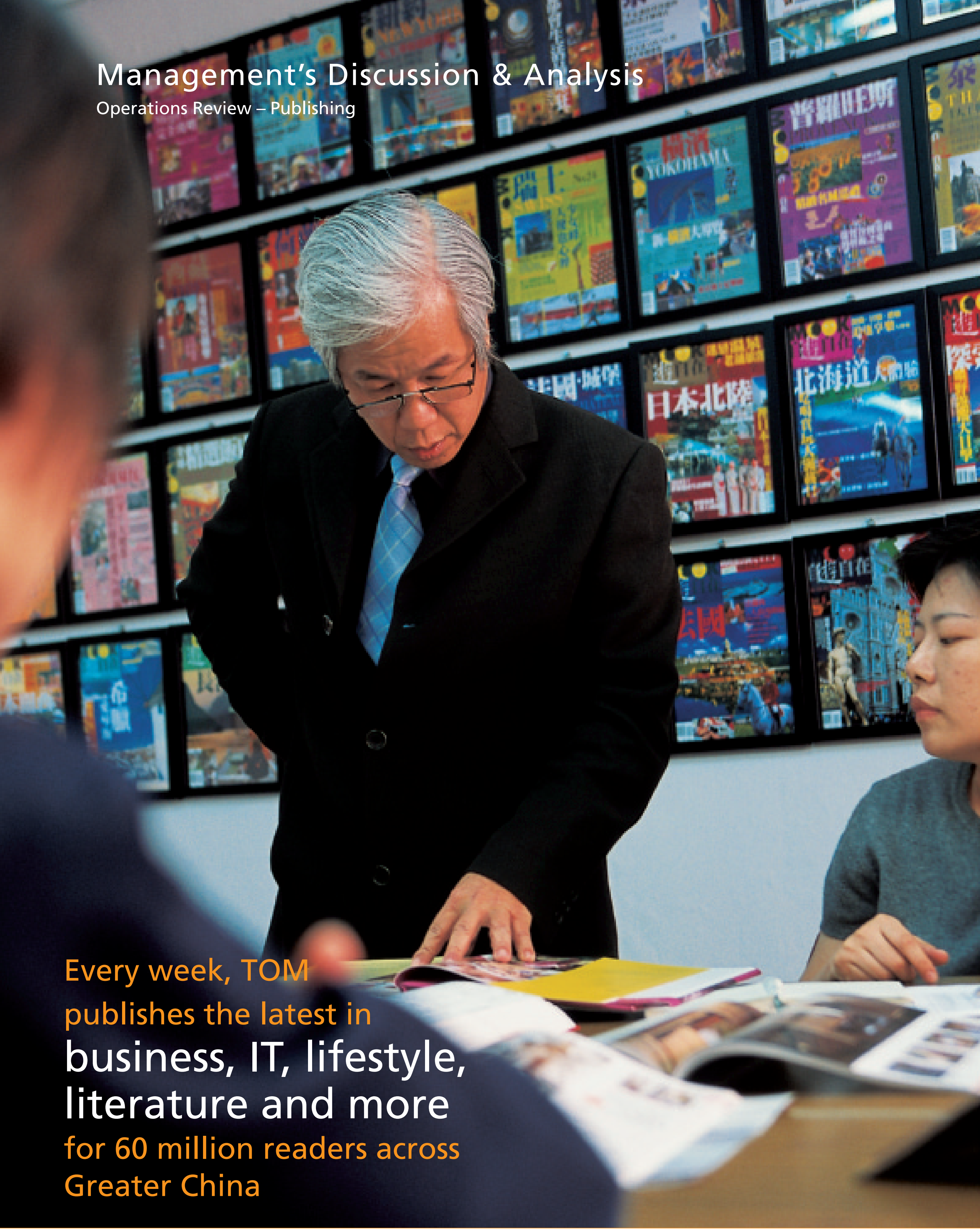


"Our acquired and organic businesses are fully integrated into a compact operation. With the resulting streamlined cost structure supporting rising ARPU, the online division should see continued strong growth in 2003."

Fan Tai
Finance Director,
Beijing Super Channel

"Our team's relentless drive for innovation has brought miracles: monthly SMS revenue soared to RMB10 million from RMB6,000 within a year."

Wu Yun
Deputy General Manager,
Beijing Super Channel



Every week, TOM publishes the latest in

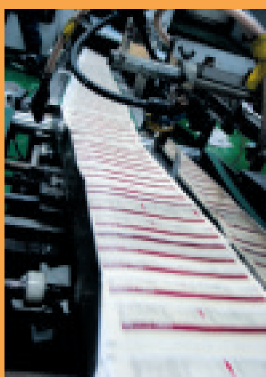
business, IT, lifestyle, literature and more

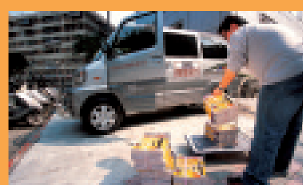
for 60 million readers across Greater China

Publishing

First Foreign Entity with
Official Approval to Engage in
Full-Scale
Publishing Operations
in Mainland China

The Most Profitable
of All Media Companies in Taiwan





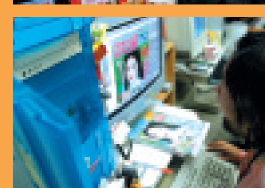
TOM converted synergies across its four publishing groups in Taiwan into concrete results

Taiwan Operations

TOM converted synergies across its four publishing groups in Taiwan into concrete results. Margin improvement and solid profit growth were achieved against an economic downturn. Revenue also countered the general market decline, buoyed by strong advertising sales and a growing circulation base.

The resilience underlines the strength of TOM's publishing programmes. *Business Weekly, PC Home, PC Shopper, PC Office, Download, Smart, Citta Bella, Marie Claire, Shape, My Home, Call, Do Re Mi, Popteen,* and *My Birthday* placed among the Kingstone top 20 best-seller list. Of the 2,250 new book titles published, 26 ranked among the Kingstone top five best-sellers in 12 key genres. 50 titles were singled out for 58 awards.

TOM's Taiwan publishing arm also accelerated its expansion into Mainland China this year. Publishing rights to about 165 books and eight magazine titles were licensed to Mainland publishers. *Business Weekly* launched an imported edition in the second quarter and has since cultivated 1,000 Mainland-based subscribers. Cross-fertilisation of content has also ensued.



Mainland Operations

In a landmark development, TOM secured official approval to form a Sino-foreign joint venture with Mainland China publisher Sanlian. Sanlian has a 70-year history of publishing excellence in the humanities and social sciences, with a portfolio of over 5,500 titles and four influential magazines. TOM is the first foreign entity to engage in full-scale publishing operations on the Mainland with full regulatory approval. TOM also signed a letter of intent with the Mainland's largest IT publisher, Popular Computer Group, to form a separate joint venture.

TOM's Titles on Kingstone's* Top 5 Best-seller Lists

Genre	Ranking	Title
Computer & IT	1	*Collection of Computer Tips & Tricks*
	2	*Tricks for CD Burning*
	3	*Total Post of Computer Tricks*
	4	*Best Selection of Legal Freeware*
	5	*Learning Linux with Ease; Installation, Manipulation & Application*
Humanities	2	*DK Pockets: Body Facts*
	3	*DK Pockets: Record Breakers*
	4	*DK Pockets: Nature Facts*
Sociology	1	*Life's Exclamations*
	2	*A Photo Treasury*
	3	*A Photo Treasury (Special Edition)*
Natural Sciences	2	*Nanotechnology*
Plant & Animal Sciences	1	*Pictorial Guidebook of Flora in the Tang Dynasty's 300 Poems*
	2	*Eyewitness Handbook: Herbs*
	3	*Pictorial Guidebook of Flora in the Book of Odes*
	4	*DK Pockets: Dinosaurs*
Religion	1	*My Own Way*
Poetry	1	*Ancient Chinese Love Poems*
	5	*Wonder as a Cloud*
Travel Literature	5	*A Taiwanese Doctor's Silk Road Vacation*
Leisure	3	*Vacation in Taiwan B & B*
Local History & Culture	3	*Taiwan in the Age of Exploration*
	5	*Taiwan Old Streets*
Art	5	*The Story of Jazz*
Comics	2	*The First Intimate Contact*
	5	*Little Dolphin REE*

* Kingstone is the leading book store in Taiwan.

Selected Awardwinning Book Titles	
Award	**Title**
Ministry of Economic Affairs Golden Book Award	*Break into China –* *Robert Wu & His Real Brewed Tea Legend*
2002 Kingstone Most Influential Book of the Year	*Managing in the Next Society*
Eslite Best Book Series	*Music River*
2002 Golden Tripod Award – Children's and Youth Category	*Starry*
The Second Annual Golden Comics Award – Best Single Comic	*The Tale of Modern Magical Mirrors*

Publishing revenue increased by 3.4 times to HK$741 million and profit of HK$30 million was achieved

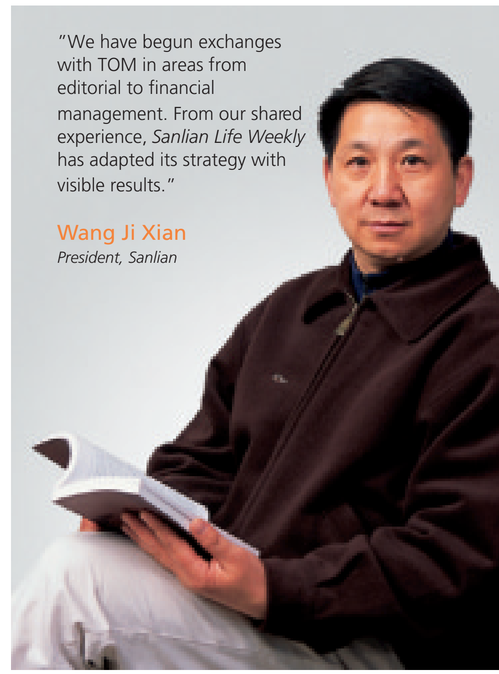
To further consolidate its publishing platform in Mainland China, TOM will set up a joint venture with Ming Sheng, a leading print advertising agency with an extensive client base and advertising rights to almost 300 periodicals, magazines and newspapers. The joint venture will complement TOM's platform by providing advertising agency services to local and international print media.

Hong Kong Operations

TOM's publishing arm in Hong Kong realised meaningful synergies across the Group's Greater China print media asset base. The bundling of advertising between *Yazhou Zhoukan* and Sanlian's *Life Weekly* – two of the region's most influential Chinese newsmagazines – drove incremental revenue growth. *CUP*, a newly acquired magazine, adapted content from *Business Weekly* and Sanlian's *Advantage* to strengthen its business editorial.

"Cité Publishing Holding is now the most profitable media company in Taiwan. As we aggregate and cross-leverage the best assets and practices in Greater China, our publishing group is uniquely positioned with no true single competitor."

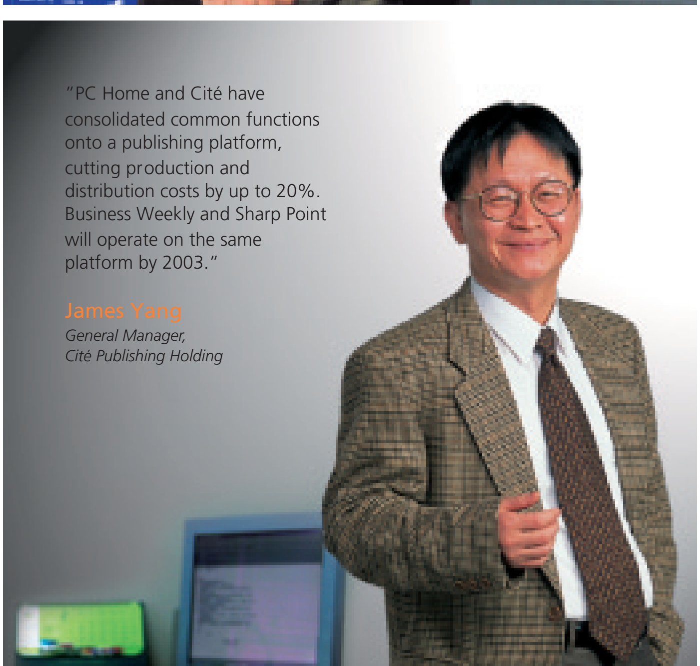
Jan Hung Tze
Chairman & Chief Executive Officer, Cité Publishing Holding



"We have begun exchanges with TOM in areas from editorial to financial management. From our shared experience, *Sanlian Life Weekly* has adapted its strategy with visible results."

Wang Ji Xian
President, Sanlian

Integration

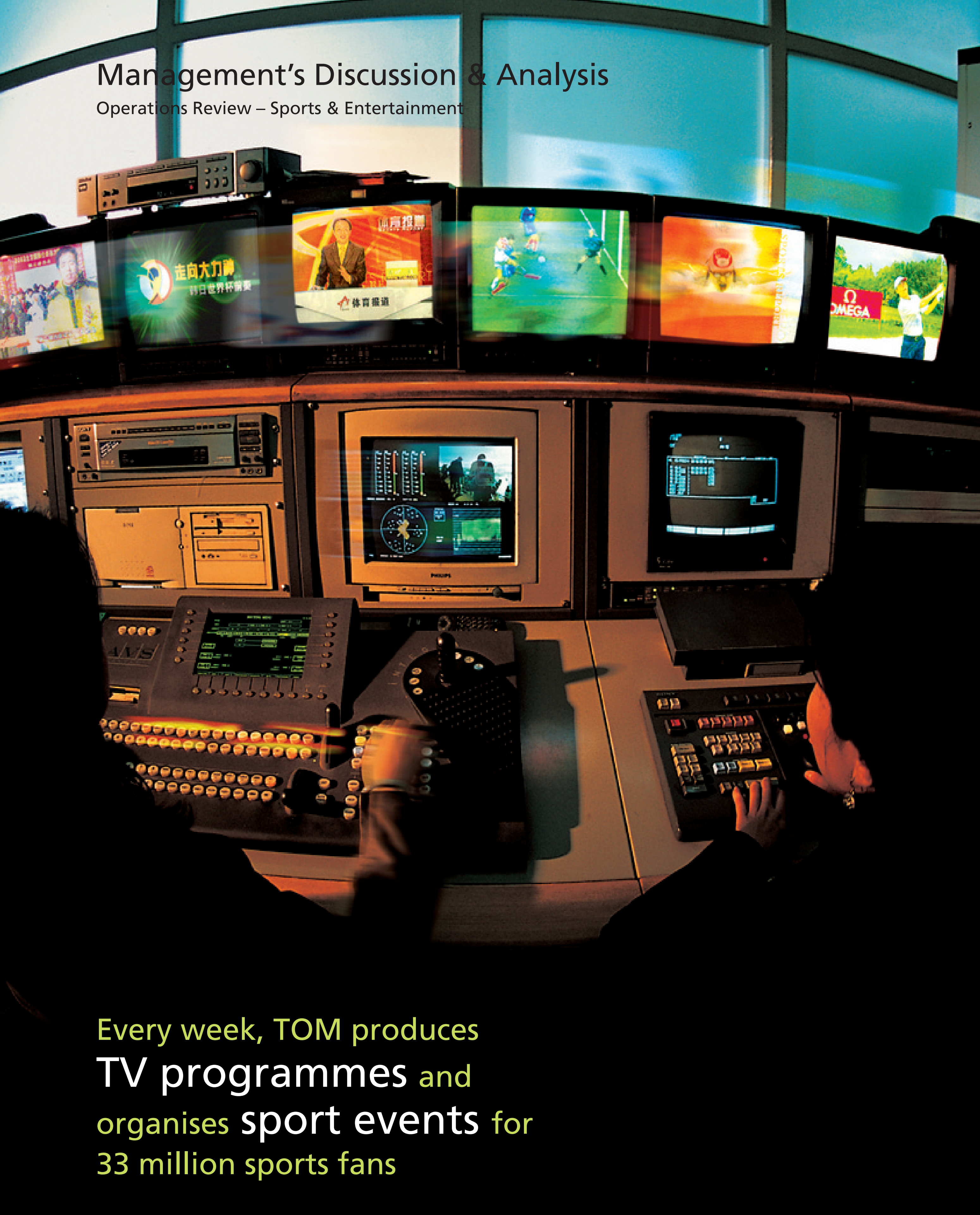


"PC Home and Cité have consolidated common functions onto a publishing platform, cutting production and distribution costs by up to 20%. Business Weekly and Sharp Point will operate on the same platform by 2003."

James Yang
General Manager, Cité Publishing Holding

"The common publishing platform raises our competitiveness: first, we can focus on editorial to raise the competitiveness of our products; second, scale economies enable us to remain cost competitive."

James Jin
Vice Chairman, Cité Publishing Holding



Every week, TOM produces **TV programmes** and organises **sport events** for 33 million sports fans

Sports
& Entertainment

Record Growth
in Sports Business

TV programmes reached

25 million Viewers a Day

Sports marketing revenue increased by 61% and net profit tripled over the previous year

Sports Marketing

2002 was a year of growth for TOM's sports marketing business. Revenue increased by 61% and net profit tripled over the previous year. More live sports events were staged than ever – over 1,700 games across 50 cities. Among the largest were the Salem ATP Tennis Open, the Philips FA Cup, the Philips Inter-collegiate Football League and exhibition tennis matches showcasing Serena Williams and Paradorn Srichaphan.

2002 FIFA World Cup cemented TOM's reputation as a media partner committed to marketing programmes of unparalleled scope, value and creativity. Advertisers chose from the only *World Cup Official Guide*, TOM's *World Cup Preview* TV programme, a dedicated World Cup website and customised SMS football games. Most far-reaching was the recruitment of members to TOM's national World Cup fan club in a series of high-profile contests, which attracted over 130,000 participants and generated a cumulative audience exposure of over 2 billion for the client.

2002 FIFA World Cup cemented TOM's reputation as a valuable media partner

TOM added an international sporting right to its portfolio by acquiring Tennis Management Group, a leading sports marketer with perpetual rights to one of Asia's three ATP tennis tournaments. Other new sporting rights secured include marketing rights to football, volleyball and table tennis leagues targeting Mainland China's youth market.

Further inroads were made in sports TV programming. The ATP tournament was syndicated to over 25 TV stations worldwide. A third regular sports programme *Omega Golf Magazine* debuted in July 2002 with Omega, Farmer's Spring Water and Vinda as major sponsors. TOM's sports programmes reached over 25 million viewers a day.

TV Programmes
Salem Open to over 25 TV stations in Mainland China and worldwide
Philips Sports Report to over 30 TV stations in Mainland China
Nokia Sports Daily News to about 40 TV channels in Mainland China
Omega Golf Magazine to 20 TV channels in Mainland China
Special programming of different sports events

Music & Entertainment

TOM is building an integrated entertainment platform founded on three cornerstones: content production, distribution and advertising. Acquiring Hong Xiang this year has brought to the platform an extensive content library of TV dramas, film and music titles, and a commercial relationship with a nationwide distribution network comprising over 3,000 retail outlets.

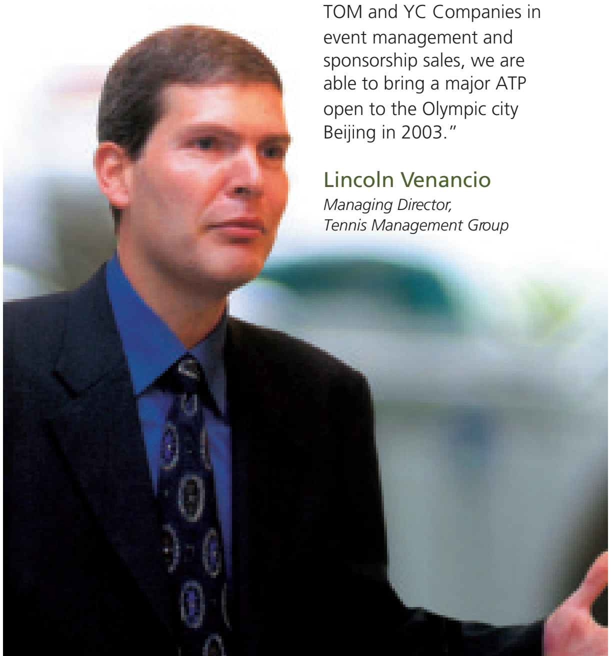
TOM announced a joint venture with Charm to complement the platform with advertising agency services for TV media. With Charm's dominant position in the TV agency business, the joint venture will give TOM access to the Mainland's largest TV station CCTV, hundreds of regional TV stations and a broad advertiser base.

The Company will continue to consolidate opportunities in the entertainment value chain. Emphasis will be placed on peripheral TV businesses as a stepping stone to broader and deeper participation in the Mainland's tightly regulated broadcast media sector as and when permitted.

"YC Companies focus on domestic sports events; TOM brings in internationally recognised sports programmes. This mutual complement makes us stronger as a whole."

Luo Yun
General Manager,
YC Companies

Creativity



"Thanks to synergies with TOM and YC Companies in event management and sponsorship sales, we are able to bring a major ATP open to the Olympic city Beijing in 2003."

Lincoln Venancio
Managing Director,
Tennis Management Group

"It is exciting to be part of TOM's growing entertainment platform. We see enormous potential in merging the rich content and distribution scale of various segments of the platform to create a major force in the Mainland's fragmented entertainment industry."

Zhang Bao Cheng
General Manager,
Hong Xiang

Every week, TOM undertakes
design, production, installation and maintenance of advertisements
across 10,000 units of outdoor assets

Outdoor

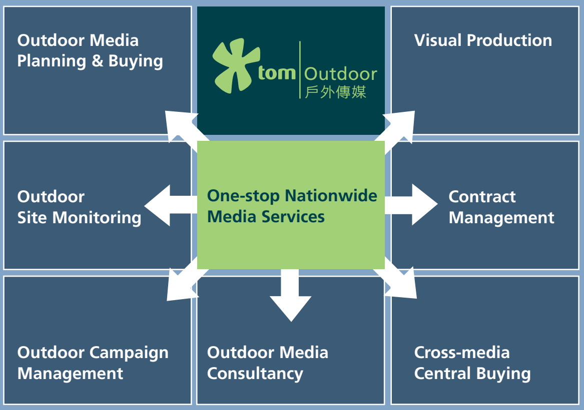
The Largest
Billboard & Unipole Network
in Mainland China

Revenue Synergies:

HK$45 Million

Incremental Network-wide Sales

Outdoor revenue more than doubled to HK$248 million



Network Growth

With additional acquisitions in 2002, TOM has built a leading outdoor media network in Mainland China covering 25 key cities nationwide. Its 10,000 outdoor media assets are predominantly billboards and unipoles, complemented by a comprehensive mix of street furniture and transport advertising.

Operational Integration

In 2002, TOM Outdoor Media Group (OMG) focused on creating incremental value through integration of its subsidiaries into a unified operation. The subsidiaries have achieved what would have been difficult to develop individually: the reach of a nationwide network, a full range of professional media services, and a unified national brand.

OMG established two media service centres in Beijing and Shanghai, which generated an initial HK$45 million in sales contracts for media buying services on its network. The Group also launched one-stop nationwide media services, ranging from market research and media buying to visual production and campaign management. Additional outdoor media service centres providing one-stop services will be rolled out in key cities.

OMG implemented a Group-wide outdoor media asset management system to unify processes such as management reporting, asset grading, media scheduling, sales management and after-sales support. Clients, too, benefit from the convenience of online inventory search, online booking and online monitoring of individual campaigns.

Complementing the localised client base of its subsidiaries, OMG has begun recruiting multinational clients through alliances with international advertising agencies as well as direct national clients. Among the key accounts serviced are Oracle, Nokia and China National Petroleum. Network-wide sales, together with effective sales integration initiatives, raised occupancy rates for the Group's outdoor media assets overall by 3%, to 79% on average.

Network-wide sales and effective sales integration raised assets' occupancy rates to 79% on average

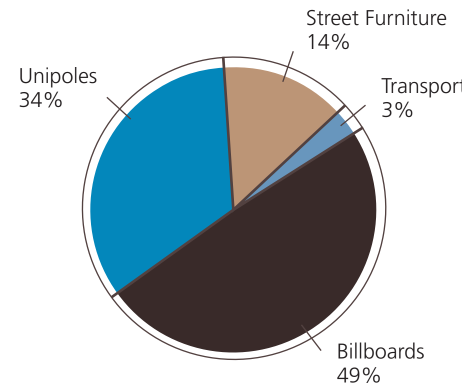
Financial Integration

TOM appointed Financial Controllers to each subsidiary to enforce financial discipline in line with Group standards. Stringent receivables management significantly reduced receivables period to 108 days on average, with further reductions targeted. A Group-wide financial management system consistent with international best practices will be fully implemented in 2003.

New Concessions

To bolster organic growth, TOM secured concession rights to an additional 40,000 square metres of outdoor advertising space, comprising 1,675 billboards, unipoles and lightboxes in city centres and along major highways and bus routes. Good relationships with local municipal authorities secured long-term concessions for 10 years or more.

TOM's Outdoor Asset Portfolio

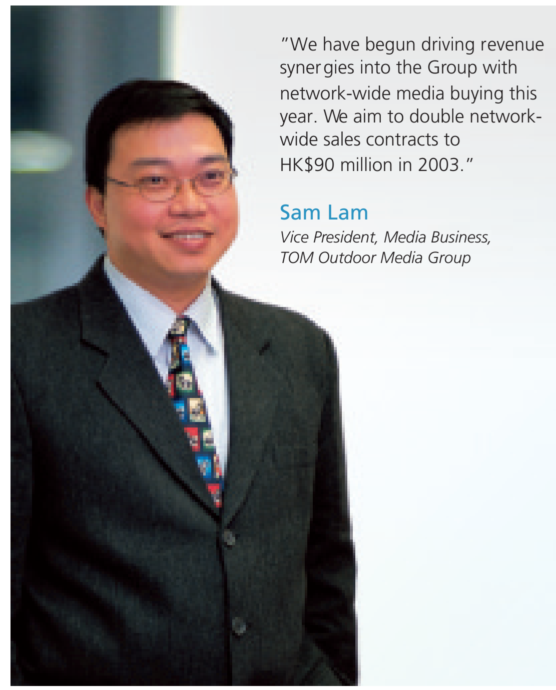


Top 10 Outdoor Advertisers
Red Pagoda
China National Petroleum
China Geely Group
Kunming Travel Bureau
Sichuan Mobile Communications
Tianguan Group
China Unicom
Oracle
Dalibeer
Youngor Group

Coverage

"Unified branding, unified operations, and unified financial management are what tie our subsidiaries together. With the first investment phase behind us, we are now focusing on these three 'unifications' with good progress made to date."

Robert Xie
President,
TOM Outdoor Media Group

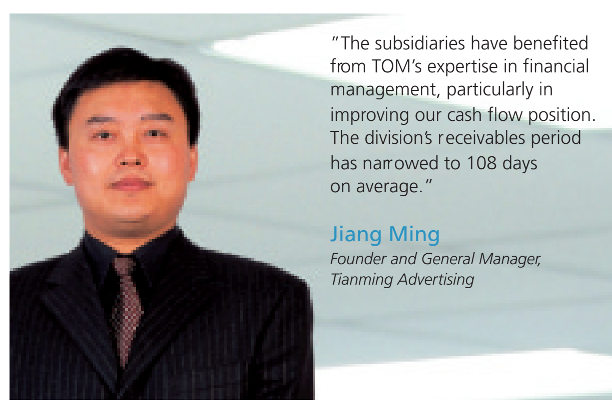


"We have begun driving revenue synergies into the Group with network-wide media buying this year. We aim to double network-wide sales contracts to HK$90 million in 2003."

Sam Lam
Vice President, Media Business,
TOM Outdoor Media Group

"Our business processes have been greatly streamlined and enhanced with TOM's outdoor asset management and financial management systems. That has freed us to focus on what we do best – sales."

Li Jian
Founder and General Manager,
Fench Media



"The subsidiaries have benefited from TOM's expertise in financial management, particularly in improving our cash flow position. The division's receivables period has narrowed to 108 days on average."

Jiang Ming
Founder and General Manager,
Tianming Advertising

"Before TOM, we were a local brand serving local clients. Now we are all unified under the 'TOM' brand, and with this come multinational and national clients who recognise our intrinsic value."

Meng Xian Wei
Founder and General Manager,
Qilu Outdoor Media

Management's Discussion & Analysis

Financial Review

The following discussion and analysis of the TOM Group's financial position and results of operations should be read in conjunction with the Audited Consolidated Financial Statements and the related notes.

The TOM Group reports its results in four business segments: online division, publishing division, sports & entertainment division and outdoor media group.

Revenue

The Group's revenue for the year ended 31 December 2002 amounted to HK$1,624 million, a 159% increase from HK$627 million in the previous year. Online revenue increased by 78% to HK$256 million from HK$144 million. Offline revenue almost tripled to HK$1,368 million from HK$483 million.

Revenue mix

The publishing division was the largest revenue contributor at 46%, with sports & entertainment division, online division and outdoor media group each contributing 23%, 16% and 15%, respectively.

In line with TOM's geographical focus, revenue generated in Mainland China represented 49% of total revenue, while operations in Taiwan and Hong Kong contributed 43% and 8%, respectively.

As new acquisitions continue to be consolidated, the revenue and geographical mixes may not be indicative of the trends going forward.

Segmental Results

Comparing segmental financial performance to the previous year demonstrates the continuing improvement of the Group's operations with the result that the outdoor media group, publishing division and sports & entertainment division reported segment profit and the online division neared profitability towards the end of 2002.

Online division revenue increased by 78% to HK$256 million buoyed by TOM's strong market position in the Mainland's fast growing telecom VAS business. The strong growth coupled with continuing cost discipline narrowed the segment loss by 47% to HK$91 million.

Outdoor media group revenue more than doubled to HK$248 million, benefiting from first-time contributions from eight outdoor media subsidiaries as well as a growing network-wide sales effort. However, due to restructuring and higher goodwill amortisation charges arising from new acquisitions, there was a decrease in segment profit by HK$7 million compared to 2001.

In the publishing division, stable organic growth and full year contributions from TOM's publishing operations in Taiwan lifted revenue by 3.4 times to HK$741 million. The previous year's segment loss was reversed and a segment profit of HK$30 million was achieved.

Sports & entertainment division revenue almost doubled to HK$379 million and segment profit almost tripled to HK$60 million, led by FIFA World Cup related programmes and first-time contributions from Tennis Management Group and Hong Xiang.

Operating Expenses

The increase in operating expenses for the year ended 31 December 2002 to HK$728 million reflects the consolidation of newly acquired businesses. TOM remains committed to maintaining a low cost and controlled operating environment. In particular, corporate headquarter operating expenses recorded an 18% decrease compared to 2001. As a result, corporate headquarter related operating expenses fell as a percentage of revenue from 21% last year to 7% in 2002. The Company will continue to manage its expense base while prudently investing in the necessary corporate resources to continue to integrate and add value to the acquired businesses.

Operating expenses as a percentage of revenue was reduced from 64% to 45%, reflecting the impact of new acquisitions and signifying that a leaner cost structure was in place to support a larger revenue base compared to the previous year. Overall, TOM's operations are now reaching a critical mass that can sustain solid revenue growth against a well-managed and competitive cost base.

Operating Loss

Operating loss for the year ended 31 December 2002 was reduced to HK$106 million, a 54% improvement from HK$231 million in the previous year. The reduction in operating loss was a result of the broadened revenue base and continued cost discipline.

Impairment of Assets

As at 31 December 2002, the TOM Group performed an assessment of the fair value of its intangible assets, including goodwill that had previously been eliminated against reserves. The assessment was based on value in use of the assets as determined at the cash generating unit level (the individual business operations) based on the present value of estimated future cash flows.

As a result of this assessment, a provision of HK$197 million has been made for impairment of goodwill arising from early acquisitions. Management took the opportunity to make full provisions for impairment of goodwill arising from acquisitions in the early years. Management believes this not only represents conservative financial practice, but will also better positions the Company for profitability. In conjunction with this provision, the Company has also deconsolidated the Maya Group since October 2002. The goodwill of the online division, previously written off in full, will continue to be carried at zero value on the balance sheet despite the division's strong financial performance in 2002.

Loss Attributable to Shareholders

Loss attributable to shareholders for the year ended 31 December 2002 narrowed to HK$410 million, from HK$636 million in the previous year. Excluding the effect of impairment of goodwill, the loss attributable to shareholders would have been HK$212 million. This loss of HK$212 million was mainly generated from depreciation and amortisation charges of HK$160 million and the one-off cost related to a legal settlement totalling HK$21 million.

Group Capital Resources and Liquidity

The Group's total shareholder's funds amounted to HK$272 million as at 31 December 2002 compared to HK$579 million. The reduction reflects primarily the 2002 net loss, including the impact of goodwill write downs totalling HK$197 million which is offset by the issuance of additional TOM's shares at a premium.

During the year, the Company issued in total 44,220,150 new ordinary shares at par value of HK$0.1 each. A portion comprising 11,054,000 shares was allotted at HK$1.78 each, pursuant to the exercise of the share options under the Pre-IPO Share Option Plan. The remaining 33,166,150 shares satisfied part of the consideration payable for the acquisition of subsidiaries and were stated as credited as fully paid at HK$5.51 per share in the acquisition agreements. At completion, this portion of shares was allotted and booked in TOM's account at prices ranging between HK$1.85 and HK$5.5 per share.

The TOM Group generally finances its operations and investing activities with internally generated cash flows, bank loans, and loans from substantial shareholders of the Company.

As at 31 December 2002, the TOM Group had bank and cash balances of HK$330 million as compared to HK$234 million as at 31 December 2001. During the year, the TOM Group utilised HK$577 million to finance its operations and investment projects.

As announced on 10 December 2001, the Company obtained unsecured loan facilities of up to an aggregate of HK$850 million from its substantial shareholders for general working capital of the TOM Group. The loan, originally due in 2003, has been extended for one year and continues to carry an interest rate of 50 basis points over the 3-month HIBOR. As at 31 December 2002, the TOM Group had fully drawndown the loan facilities of HK$850 million. In addition, as at 31 December 2002, the TOM Group had bank and other borrowings (inclusive of long-term and short-term bank and other borrowings) totalling HK$21 million, which were primarily sourced by its subsidiaries. The TOM Group's cash-to-borrowing ratio was 38% as of 31 December 2002.

Foreign Exchange Exposure

It is the TOM Group's policy for each operating entity to borrow in local currencies, where necessary, to minimise currency risk.

Charges on Group Assets

Certain TOM Group's assets are pledged to banks as security for general banking facilities granted to the TOM Group. As at 31 December 2002, the pledged assets of the TOM Group included bank deposits, cash and other assets totalling HK$14 million.

Contingent Liabilities

Contingent liabilities amounted to approximately HK$9 million as at 31 December 2002. A legal settlement over the termination of a contract totalling HK$21 million had been expensed in the profit and loss account in 2002.

Employee Information

As at 31 December 2002, the TOM Group had 2,567 full-time employees. Employee costs, excluding Directors' emoluments, totalled HK$272 million (2001: HK$177 million). All of the TOM Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the TOM Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the TOM Group's salary and bonus system which is reviewed annually. A wide range of benefits, including medical coverage, provident funds, and retirement plans, and long service awards are also provided to employees. In addition, training and development programmes are provided on an ongoing basis throughout the TOM Group. Social, sporting and recreational activities were arranged during the year for employees on a Group-wide basis.

TOM also adopted a share option scheme under which inter alia the employees of the TOM Group may be granted share options to subscribe for shares in TOM for the purposes of recognising the contributions made by the employees of the TOM Group and retaining the services of the employees who will continue to make valuable contributions to the TOM Group.

Comparison of Business Objectives with Actual Business Progress

In accordance with the business objectives as laid down in the IPO prospectus dated 18 February 2000, below is our progress report. Almost all objectives have been achieved whilst a few are still in progress. TOM will continuously review its business objectives and strategies and make adjustments as necessary.

Business objectives as stated in the prospectus dated 18 February 2000	**Actual business progress in respect of the year ended 31 December 2002**
Content Development	
1. Continue to enrich various web sites with new "killer features"	TOM offered "killer" web-mobile short messaging applications during the period, including live wireless broadcast of the 2002 FIFA World Cup, real-time news updates, interactive games, ring-tone and picture downloads. TOM also launched a dedicated MMS channel, the first in Mainland China to supply multi-media messaging content to China Mobile nationwide. Other killer applications such as mobile and pay e-mail services were enhanced with customised features to penetrate the corporate market. TOM's unique virtual ISP service, TOMNET, launched a global roaming service allowing seamless Internet access across over 100 countries.
2. Continue to produce and aggregate new content on the Internet and other media	In addition to producing and aggregating new content on TOM's narrowband portals, TOM provides broadband content syndicated to broadband networks through Maya Online and GreaTom. TOM is exploring the distribution of its broadband content over ADSL. SMS and MMS content is created and distributed to wireless devices. TOM also produces proprietary content in its 50-plus magazines and 18,000 book titles, some of which are licensed to print media in Mainland China. Sports TV programmes produced by the sports division are syndicated to over 50 TV channels across Mainland China. Through the acquisition of Hong Xiang, TOM has aggregated an extensive entertainment content library for distribution to retail channels and various technology platforms. In addition, TOM's divisions produced and distributed advertising content via online, print, outdoor, sports and TV media. This will be strengthened with the advertising agency joint ventures to be set up with Charm and Ming Sheng. TOM continues to leverage cross-divisional content synergies to distribute content across various media.
3. Continue to explore and develop new media and technology for content development	In addition to its portal business, TOM continued to develop other media including broadband, print, outdoor and entertainment media. The Company also developed new technology for content development. Through Maya Online, TOM has developed a rich media content production and delivery system, "China Interactive TV", which streams content over broadband distribution networks. TOM's portals, GreaTom and PC Home have also developed wireless content and online games using the newest technologies.

Business objectives as stated in the prospectus dated 18 February 2000	Actual business progress in respect of the year ended 31 December 2002
E-commerce Development	
1. Continue to recruit B2C e-commerce alliances to expand e-commerce offerings	163.net's e-commerce store, 1hao.com, has recruited over 20 additional B2C e-commerce alliances. The product range has been expanded to include computer games and software, office supplies, gift items, accessories, health products, etc.
2. Continue to develop B2B e-commerce platform	TOM continued to expand ECLink's electronic customs clearance platform to serve 250 businesses in Mainland China. TOM's online division also provides e-mail solutions, ASP services and Internet access services to a growing number of enterprises.
3. Develop fulfilment capabilities for B2C e-commerce transactions	TOM has already developed fulfilment capabilities for B2C e-commerce transactions. Upon receiving an online order, customer services staff would follow up with a telephone confirmation within 12 hours. Goods are delivered in person (in certain locations) or by mail. Payments can be made via a secure server facility online, payment gateways provided by several banks, bank transfer, mail-in cheque, or in person upon delivery (where applicable). Delivery of non-physical goods is effected in a secure environment online with user identification mechanisms.
Technology Development	
1. Continue to develop new web applications to support the introduction of new content and new features	TOM continued to enrich its existing web application offerings, including TOMNET, mobile pay e-mail, web-mobile short messaging, ring-tone and picture downloads, and introduced new applications, such as multi-media messaging, global Internet roaming and "17201" dial-up ISP services. Development of a proprietary web-based outdoor media management system, which supports online search, reservation and monitoring of outdoor media assets, has been completed.
2. Continue to explore and develop new content distribution channels (e.g. mobile broadband network)	TOM's content is distributed through traditional and new distribution channels. Traditional channels include print media, outdoor media, sports events, TV, and retail stores, while new channels include narrowband, broadband and wireless platforms. During the period, Maya Online launched "China Interactive TV", a rich media content delivery service streamed over broadband distribution networks. TOM is also exploring the distribution of its entertainment content aggregated from Hong Xiang, Maya Online and GreaTom over multiple technology platforms, including ADSL.
Resource Deployment	
1. Employ additional staff as required for business growth	The Company has assembled a strong management team at the corporate head office and a team of experienced media veterans in each of its divisions. TOM continued to appoint Financial Controllers to each of its new subsidiaries to enforce financial discipline. It has also recruited seasoned managers with over 10 years of media expertise to drive rationalisation and integration efforts in each division. Additional acquisitions during the period have added creative media production staff to complement TOM's cross-media offerings.

Directors' Profile

Frank John Sixt	aged 51, is the Chairman of the Company. He is Group Finance Director of HWL. He is also an Executive Director of Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited and a Director of CKH, Hutchison Telecommunications (Australia) Limited, Husky Energy Inc. and Partner Communications Company Ltd. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.
Sing Wang	aged 39, is the Chief Executive Officer and an Executive Director of the Company. He is one of the most experienced private equity investors in Greater China. Prior to joining the Company, he was an Executive Director of Goldman Sachs where he was responsible for Goldman Sachs' Mainland China investment projects. He joined Goldman Sachs in 1993 and spent seven years working for the firm. By the spring of 2000 when he joined TOM, he was one of the most skilled China bankers. Before joining Goldman Sachs, he was a Manager at Wardley Direct Investment Management Ltd. and a strategic consultant at McKinsey & Co. in Chicago. Mr. Wang graduated from Yunnan University with a Bachelor's degree in Science. Before attending Oxford University, he worked for 2 years for the Chinese Academy of Sciences. He also holds a Master of Science degree in Management, and a Bachelor of Arts degree in Philosophy, Politics and Economics, from Oxford University.
Lee Kwok Ming, Don	aged 45, is the Chief Financial Officer and an Executive Director of the Company. Prior to joining the Company, he was Chief Financial Officer of T Holdings Limited, an incubator for technology-related projects, whose shareholders include CKH, HWL and Cranwood Company Limited. He was the former Chief Financial Officer, Company Secretary & Executive Vice President of Guangdong Kelon Electrical Holdings Company Ltd. He is a Fellow of the Hong Kong Society of Accountants, an Associate of the Chartered Institute of Management Accountants (UK) and an Associate of the Institute of Certified Management Accountants (Australia). He holds a Master of Science degree in Business Administration from University of Bath.
Leung Quan Yue, Michelle	aged 37, is the Chief Operating Officer and an Executive Director of the Company. Prior to joining TOM, she was at News Corporation in New York working on business development in international media markets. She worked in the Equity Capital Markets Group of Investment Banking at Goldman Sachs in New York and Hong Kong. In addition, she worked at United Nations headquarters in New York and served on UN missions in Cambodia and South Africa. She has an MBA from the Harvard Business School and her undergraduate degrees include a Bachelor of Science degree in Economics from the London School of Economics and an undergraduate degree in Chinese from Peking University.
Lee Pui Ling, Angelina	aged 54, is an Independent Non-Executive Director of the Company. She is a practising solicitor. She has a Bachelor of Laws degree and is a Fellow of the Institute of Chartered Accountants in England and Wales. She is active in public service and currently serves on a number of statutory, advisory and appeal committees. She is also a director of a number of other listed companies in Hong Kong.
Cheong Ying Chew, Henry	aged 55, is an Independent Non-Executive Director of the Company. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management. He is a Director of certain other listed companies in Hong Kong. Mr. Cheong is a member of the Process Review Panel for the Securities and Futures Commission, a member of the GEM Listing Committee, Main Board Listing Committee and Derivatives Market Consultative Panel of the Hong Kong Exchanges and Clearing Limited and also a member of the Corporate Advisory Council of the Hong Kong Securities Institute.

Chang Pui Vee, Debbie	aged 52, is a Non-Executive Director of the Company. She holds a Bachelor of Arts degree from Hunter College, New York City. She has been directing business development in the Mainland China for a number of years and is a Director of Orient Overseas Developments Ltd. and Beijing Oriental Plaza Company Ltd. Ms. Chang is a member of the People's Consultative Party of Beijing, Eastern City District.
Chow Woo Mo Fong, Susan	aged 49, is a Non-Executive Director of the Company. She is Deputy Group Managing Director of HWL. She is also an Executive Director of Cheung Kong Infrastructure Holdings Limited and HHR and a Director of Hongkong Electric Holdings Limited and Partner Communications Company Ltd. She is a solicitor and holds a Bachelor's degree in Business Administration.
Ip Tak Chuen, Edmond	aged 50, is a Non-Executive Director of the Company. He has been an Executive Director of CKH since 1993. He is also the Deputy Chairman of Cheung Kong Infrastructure Holdings Limited and an Executive Director of CK Life Sciences Int'l., (Holdings) Inc. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.
Holger Kluge	aged 61, is a Non-Executive Director of the Company. He was formerly President of Personal and Commercial Bank, CIBC, one of the largest financial services institutions in North America. He is also a Director of Assante Corporation, Husky Energy Inc., Hutchison Telecommunications (Australia) Limited and Hongkong Electric Holdings Ltd. He holds a Bachelor of Commerce degree and a Master's degree in Business Administration.
James Sha	aged 52, is a Non-Executive Director of the Company. He has held senior positions with a number of large Internet-related companies. Since November 1999, he has been a Managing Partner with Spring Creek Ventures, a partnership specialising in early stage venture investment and business consultation with Internet and infrastructure companies. He is currently serving on the board of directors of several start-up companies. His board memberships includes Appstream, Acela, Aduva, E21, LiveABC, Optoplex and Mediostream. He also served as the Chief Executive Officer for Sina.com. Prior to that, he was the Senior Vice President, Commerce Solutions, at Netscape Communications. He has also held senior positions with Actra Business Systems, Oracle's UNIX Product Division and the Advanced Systems Division of Wyse Technology. He holds a Master of Science degree in Electronic Engineering and Computer Science from the University of California, Berkeley, a Master of Business degree from Santa Clara University and a Bachelor of Science degree in Electronic Engineering from Taiwan University.
Wang Lei Lei	aged 29, is a Non-Executive Director of the Company. He is also the Deputy Chief Operating Officer and President, TOM Internet Group. He was elected one of "TOP 10 IT Elite" in 2003 organised by China Youth Daily. Mr. Wang graduated from Tsinghua University in 1996 with a Bachelor degree in Electrical Engineering. He has a strong background in technology research and development. Prior to joining the Company, he served as President and General Manager of Beijing Yan Cheng Zhi Science Company Ltd.

Report of the Directors

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31 December 2002.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, jointly controlled entities, associated companies and investment securities are set out on pages 118 to 122.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

Results and Appropriations

The results for the year are set out in the consolidated profit and loss account on page 70.

The directors do not recommend the payment of a dividend.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 28 to the accounts.

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

Share Capital and Share Options

Details of the movements in share capital and share options of the Company are set out in notes 26 and 27 to the accounts.

Distributable Reserves

Details of the distributable reserves of the Company as at 31 December 2002 are set out in note 28 to the accounts.

Directors

The directors who held office during the year and up to the date of this report were:

Mr. Frank John Sixt * *(Chairman)*
Mr. Sing Wang
Mr. Lee Kwok Ming, Don
Ms. Leung Quan Yue, Michelle
Mrs. Lee Pui Ling, Angelina #
Mr. Cheong Ying Chew, Henry #
Ms. Chang Pui Vee, Debbie *
Mrs. Chow Woo Mo Fong, Susan *
Mr. Ip Tak Chuen, Edmond *
Mr. Holger Kluge *
Mr. James Sha *
Mr. Wang Lei Lei * *(appointed on 9 December 2002)*
Mr. Feng Qi * *(resigned on 2 December 2002)*

** non-executive directors*
 # independent non-executive directors

In accordance with Articles 99 and 116 of the Company's Articles of Association, all the existing directors of the Company will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The non-executive directors (including the independent non-executive directors) have no set term of office but retire from office at each annual general meeting of the Company at which they will be eligible for re-election.

Directors' Service Contracts

Each of Mr. Sing Wang, Mr. Lee Kwok Ming, Don and Ms. Leung Quan Yue, Michelle, being all the executive directors and Mr. Wang Lei Lei, being a non-executive director, has entered into a continuous service contract with the Group commencing from 1 June 2000 in the case of Mr. Sing Wang, 1 August 2001 in the case of Mr. Lee Kwok Ming, Don, 30 May 2000 in the case of Ms. Leung Quan Yue, Michelle and 1 January 2000 in the case of Mr. Wang Lei Lei (prior to his appointment as a non-executive director of the Company, he was and still continues to be an employee of the Group). The terms of each contract are continuous unless terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, none of the directors has entered into any service agreements with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Directors' Profile

The directors' profile is set out on pages 48 and 49.

Share Option Schemes

Pursuant to the written resolutions of the shareholders of the Company dated 11 February 2000, two share option schemes namely, Pre-IPO Share Option Plan ("Pre-IPO Share Option Plan") and the employee share option scheme ("Employee Share Option Scheme") were adopted by the Company. By an ordinary resolution passed at the Extraordinary General Meeting of the Company held on 24 April 2002, the Employee Share Option Scheme was amended by an addendum ("Share Option Scheme"), details of which were disclosed in the circular of the Company dated 8 April 2002 (the Pre-IPO Share Option Plan and the Share Option Scheme collectively are referred to as the "Schemes").

Summary of the Schemes

(a) Purpose of the Schemes

The purpose of the Pre-IPO Share Option Plan is to recognise the contribution made by the executive directors and the employees of the Company prior to the listing of shares of the Company on GEM.

The purpose of the Share Option Scheme is to attract, retain and motivate talented employees to strive for future developments and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the participants and to allow the participants to enjoy the results of the Company attained through their efforts and contribution.

(b) Participants of the Schemes

Pursuant to the Pre-IPO Share Option Plan, the Company may grant options to any full-time employee of the Company or of its subsidiaries or of HWL or any subsidiary of HWL to subscribe for shares of the Company. However, save for the options which have been granted on 11 February 2000, no further options may be granted upon the listing of the shares of the Company on GEM on 1 March 2000.

Pursuant to the Share Option Scheme, the Board may, at its discretion, invite any participant (including any employee and director of the Group and of any company in which the Group owns or controls 20% or more of its voting rights and/or issued share capital, business associate and trustee) to take up option to subscribe for shares of the Company. However, participants do not include any substantial shareholder of the Company and/or any of its Associates.

(c) *Total Number of Shares Available for Issue Under the Schemes*

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Share Option Scheme (i.e., 329,254,980 shares of the Company, which represents approximately 9.87% of the issued share capital of the Company as at 13 March 2003).

The maximum number of shares of the Company which may be issued upon exercise of outstanding options granted and yet to be exercised under the Schemes and any other share option schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue from time to time.

(d) *Maximum Entitlement of Each Participant*

The total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue.

(e) *Time of Exercise of Options*

Pursuant to the Pre-IPO Share Option Plan, any option may be exercised in accordance with its terms at any time during a period to be notified by the Board to each grantee provided that the period within which the option must be exercised shall be not less than 3 years and not more than 10 years from the date of grant of the option.

Pursuant to the Share Option Scheme, any option may be exercised in accordance with its terms at any time during a period to be notified by the Board to each grantee provided that the period within which the option must be exercised shall not be more than 10 years from the date of grant of the option.

(f) *Payment on Acceptance of Option*

Pursuant to the Schemes, HK$5 is payable by the grantee to the Company on acceptance of the option within 28 days from the date of grant of the option.

(g) *Basis of Determining the Subscription Price*

The subscription price per share under the Pre-IPO Share Option Plan is HK$1.78, being the price per share at which the shares are offered for subscription by the public at the initial public offer of shares of the Company.

The subscription price per share under the Share Option Scheme shall be determined by the Board at its absolute discretion and notified to each grantee and shall be no less than the higher of:

(i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant, which must be a business day;

(ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share of the Company.

(h) Remaining Life of the Schemes

The Pre-IPO Share Option Plan has no remaining life as no further options may be granted but the provisions of such plan shall in all other respects remain in full force and effect and options which are granted during the life of such plan may continue to be exercisable in accordance with their terms of issue.

The Share Option Scheme will continue to be in full force and effect until 10 February 2010 (save that the Company, by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme). After termination, no further options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and the options which are granted during the life of the Share Option Scheme may continue to be exercised in accordance with their terms of issue.

The other principal terms of the Pre-IPO Share Option Plan and the Share Option Scheme are set out in the prospectus of the Company dated 18 February 2000 and the circular of the Company dated 8 April 2002, respectively.

Outstanding Share Options

As at 31 December 2002, options to subscribe for an aggregate of 125,700,000 shares of the Company granted pursuant to the Pre-IPO Share Option Plan and the Share Option Scheme were outstanding. Details of which were as follows:

(a) Pre-IPO Share Option Plan

As at 31 December 2002, options to subscribe for an aggregate of 16,196,000 shares of the Company were outstanding and these options relate to the options granted to 3 persons who were employees of the Company at the date of grant. Details of which as at 31 December 2002 were as follows:

	Number of share options						
Date of grant	**Outstanding as at 1 January 2002**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding as at 31 December 2002**	**Option period**	**Subscription price per share** HK$
11/2/2000	36,330,000	7,422,000 *(Note 1)*	12,712,000	–	16,196,000 *(Note 2)*	11/2/2000 – 10/2/2010	1.78

Notes:

1. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was approximately HK$3.745.

2. The options have vested in three tranches in the proportion of 20%:30%:50% on 11 February 2001, 11 February 2002 and 11 February 2003, respectively.

(b) Share Option Scheme

As at 31 December 2002, options to subscribe for an aggregate of 109,504,000 shares of the Company which were granted to certain continuous contract employees of the Group (including the directors of the Group as disclosed in the report of the directors) were outstanding. Details of which as at 31 December 2002 were as follows:

		Number of share options						
Date of grant	**Outstanding as at 1 January 2002**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding as at 31 December 2002**	**Option period**	**Subscription price per share** HK$
23/3/2000	6,604,000	–	–	1,220,000	2,142,000 *(Note 10)*	3,242,000 *(Note 1)*	23/3/2000 – 22/3/2010	11.30
8/4/2000	15,000,000	–	–	–	15,000,000 *(Note 10)*	–	–	8.78
31/5/2000	7,000,000	–	–	–	4,668,000 *(Note 10)*	2,332,000 *(Note 2)*	31/5/2000 – 30/5/2010	4.685
26/6/2000	4,042,000	–	–	998,000	1,442,000 *(Note 10)*	1,602,000 *(Note 3)*	26/6/2000 – 25/6/2010	5.89
30/6/2000	15,000,000	–	–	–	12,000,000 *(Note 10)*	3,000,000 *(Note 4)*	30/6/2000 – 29/6/2010	5.27
8/8/2000	54,858,000	–	–	6,502,000	28,372,000 *(Note 10)*	(i) 9,086,000 *(Note 5a)* (ii) 10,898,000 *(Note 5b)*	8/8/2000 – 7/8/2010	5.30
9/11/2000	4,320,000	–	–	3,200,000	–	1,120,000 *(Note 6)*	9/11/2000 – 8/11/2010	5.30
15/11/2000	15,000,000	–	–	–	–	15,000,000 *(Note 7)*	15/11/2000 – 14/11/2010	5.30
7/2/2002	–	64,230,000	–	1,006,000	–	63,224,000 *(Note 8)*	7/2/2002 – 6/2/2012	3.76 *(Note 9)*
Total:	**121,824,000**	**64,230,000**	**–**	**12,926,000**	**63,624,000**	**109,504,000**		

Notes:

1. The options will vest in two tranches in the proportion of 50%:50%. The first and second tranches of the options will vest on 23 March 2005 and 23 March 2006, respectively.
2. The options have vested on 31 May 2001.
3. The options will vest in two tranches in the proportion of 50%:50%. The first and second tranches of the options will vest on 26 June 2005 and 26 June 2006, respectively.
4. The options have vested on 30 June 2001.

5. (a) The options have vested on 8 August 2001.

(b) The options have vested in two tranches in the proportion of 50%:50%. 70% of the first tranche of the options have vested on 8 August 2001, the remaining 30% of the first tranche have lapsed due to certain conditions not having been fulfilled. 70% of the second tranche of the options have vested on 8 August 2002, the remaining 30% of the second tranche have lapsed due to certain conditions not having been fulfilled.

6. The options have vested on 9 November 2001.

7. The options will vest in three tranches in the proportion of 20%:30%:50%. The first and second tranches of the options have vested on 15 November 2001 and 15 November 2002, respectively. The third tranche of the options will vest on 15 November 2003.

8. The options will vest in three tranches in the proportion of 40%:30%:30% or 1/3:1/3:1/3.

For those grantees who have worked for the Group for over 1 year at the time of grant, the first tranche of the options have vested on 8 February 2002. The second and third tranches of the options will vest on the second and third anniversaries (as the case may be) of their respective joining dates with the Group.

For those grantees who have worked for the Group for less than 1 year, the first, second and third tranches of the options will vest on the first, second and third anniversaries of their respective joining dates with the Group, as the case may be.

9. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$3.65.

10. The options were cancelled pursuant to the ordinary resolution of the Company passed at the Extraordinary General Meeting of the Company held on 24 April 2002.

Valuation of Share Options

The options granted are not recognized in the financial statements until they are exercised. The directors consider that it is not appropriate to state the value of the share options granted during the year on the ground that a number of variables which are crucial to the valuation of the option value cannot be reasonably determined. Accordingly, the directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

Directors' Interests in Equity or Debt Securities

As at 31 December 2002, the interests of the directors and chief executive in the shares and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as required to be recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or which are required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Directors' Interests in Shares

	Number of shares of the Company				
Name of Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**
Sing Wang *(Note)*	–	–	5,898,000	–	5,898,000
Wang Lei Lei	300,000	–	–	–	300,000

Note:

By virtue of the SDI Ordinance, Mr. Sing Wang is deemed to be interested in 5,898,000 shares of the Company held by Amerinvest Technology Associates I Limited, which is wholly-owned by him.

(b) *Directors' Rights to Acquire Shares*

Pursuant to the Pre-IPO Share Option Plan and the Share Option Scheme, certain directors of the Company were granted share options to subscribe for the shares of the Company. Details of which as at 31 December 2002 were as follows:

		Number of share options						
Name of Directors	**Date of grant**	**Outstanding as at 1 January 2002**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Outstanding as at 31 December 2002**	**Option period**	**Subscription price per share** HK$
Sing Wang	30/6/2000	15,000,000	–	–	12,000,000 *(Note 11)*	3,000,000 *(Note 1)*	30/6/2000 – 29/6/2010	5.27
	8/8/2000	14,354,000	–	–	12,216,000 *(Note 11)*	2,138,000 *(Note 2)*	8/8/2000 – 7/8/2010	5.30
	7/2/2002	–	20,000,000	–	–	20,000,000 *(Note 3)*	7/2/2002 – 6/2/2012	3.76
Lee Kwok Ming, Don	7/2/2002	–	10,000,000	–	–	10,000,000 *(Note 4)*	7/2/2002 – 6/2/2012	3.76
Leung Quan Yue, Michelle	31/5/2000	7,000,000	–	–	4,668,000 *(Note 11)*	2,332,000 *(Note 5)*	31/5/2000 – 30/5/2010	4.685
	8/8/2000	4,700,000	–	–	4,000,000 *(Note 11)*	700,000 *(Note 6)*	8/8/2000 – 7/8/2010	5.30
	7/2/2002	–	10,000,000	–	–	10,000,000 *(Note 7)*	7/2/2002 – 6/2/2012	3.76
James Sha	8/4/2000	15,000,000	–	–	15,000,000 *(Note 11)*	–	–	8.78
	15/11/2000	15,000,000	–	–	–	15,000,000 *(Note 8)*	15/11/2000 – 14/11/2010	5.30
Wang Lei Lei	11/2/2000	9,080,000	–	–	–	9,080,000 *(Note 9)*	11/2/2000 – 10/2/2010	1.78
	7/2/2002	–	850,000	–	–	850,000 *(Note 10)*	7/2/2002 – 6/2/2012	3.76

Notes:

1. The options have vested on 30 June 2001.
2. The options have vested on 8 August 2001.
3. The options will vest in three tranches in the proportion of 40%:30%:30%. The first and second tranches of the options have vested on 8 February 2002 and 1 June 2002, respectively. The third tranche of the options will vest on 1 June 2003.
4. The options will vest in three tranches in the proportion of 40%:30%:30%. The first tranche of the options has vested on 1 August 2002. The second and third tranches of the options will vest on 1 August 2003 and 1 August 2004, respectively.

5. The options have vested on 31 May 2001.

6. The options have vested on 8 August 2001.

7. The options will vest in three tranches in the proportion of 40%:30%:30%. The first and second tranches of the options have vested on 8 February 2002 and 30 May 2002, respectively. The third tranche of the options will vest on 30 May 2003.

8. The options will vest in three tranches in the proportion of 20%:30%:50%. The first and second tranches of the options have vested on 15 November 2001 and 15 November 2002, respectively. The third tranche of the options will vest on 15 November 2003.

9. The options have vested in three tranches in the proportion of 20%:30%:50% on 11 February 2001, 11 February 2002 and 11 February 2003, respectively.

10. The options have vested in three tranches in the proportion of 1/3:1/3:1/3 on 8 February 2002, 8 February 2002 and 8 February 2003, respectively.

11. The options were cancelled pursuant to the ordinary resolution of the Company passed at the Extraordinary General Meeting of the Company held on 24 April 2002.

Save as disclosed above, none of the directors of the Company or their Associates had, as at 31 December 2002, any interests in the shares of the Company or its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

Substantial Shareholders

As at 31 December 2002, the persons or corporations whose interests, being 10% or more of the issued share capital of the Company, as recorded in the register required to be kept under section 16(1) of the SDI Ordinance or have otherwise notified to the Company were as follows. These interests are in addition to those disclosed above in respect of the directors:

Name of shareholders	**Number of shares of the Company held**
Li Ka-shing	1,429,024,545 *(Notes 1 & 2)*
Li Ka-Shing Unity Holdings Limited	1,429,024,545 *(Notes 1 & 2)*
Li Ka-Shing Unity Trustee Corporation Limited *(as trustee of The Li Ka-Shing Unity Discretionary Trust)*	1,429,024,545 *(Notes 1 & 2)*
Li Ka-Shing Unity Trustee Company Limited *(as trustee of The Li Ka-Shing Unity Trust)*	1,429,024,545 *(Notes 1 & 2)*
Cheung Kong (Holdings) Limited	1,429,024,545 *(Notes 1 & 2)*
Cheung Kong Investment Company Limited	476,341,182 *(Note 1)*
Cheung Kong Holdings (China) Limited	476,341,182 *(Note 1)*
Sunnylink Enterprises Limited	476,341,182 *(Note 1)*
Romefield Limited	476,341,182 *(Note 1)*
Hutchison Whampoa Limited	952,683,363 *(Note 2)*
Hutchison International Limited	952,683,363 *(Note 2)*
Easterhouse Limited	952,683,363 *(Note 2)*
Chau Hoi Shuen	952,683,363 *(Note 3)*
Cranwood Company Limited	952,683,363 *(Note 3)*
Schumann International Limited	580,000,000 *(Note 3)*
Handel International Limited	348,000,000 *(Note 3)*

Notes:

(1) Romefield Limited is a wholly-owned subsidiary of Sunnylink Enterprises Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Holdings (China) Limited. Cheung Kong Holdings (China) Limited is a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of Cheung Kong (Holdings) Limited.

By virtue of the SDI Ordinance, Cheung Kong Investment Company Limited, Cheung Kong Holdings (China) Limited and Sunnylink Enterprises Limited are all deemed to be interested in the 476,341,182 shares of the Company held by Romefield Limited.

Li Ka-Shing Unity Holdings Limited, of which Mr. Li Ka-shing owns the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited. Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, together with certain companies which Li Ka-Shing Unity Trustee Company Limited as trustee of The Li-Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited which as trustee of The Li Ka-Shing Unity Discretionary Trust, holds a majority of units in The Li Ka-Shing Unity Trust.

(2) Easterhouse Limited is a wholly-owned subsidiary of Hutchison International Limited, which in turn is a wholly-owned subsidiary of Hutchison Whampoa Limited. By virtue of the SDI Ordinance, Hutchison Whampoa Limited and Hutchison International Limited are deemed to be interested in the 952,683,363 shares of the Company held by Easterhouse Limited.

In addition, subsidiaries of Cheung Kong (Holdings) Limited are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Hutchison Whampoa Limited. By virtue of the SDI Ordinance, Mr. Li Ka-shing, Li Ka-Shing Unity Holdings Limited, Li Ka-Shing Unity Trustee Corporation Limited, Li Ka-Shing Unity Trustee Company Limited and Cheung Kong (Holdings) Limited are all deemed to be interested in the 476,341,182 shares of the Company and 952,683,363 shares of the Company held by Romefield Limited and Easterhouse Limited respectively.

(3) Schumann International Limited and Handel International Limited are companies controlled by Cranwood Company Limited and Ms. Chau Hoi Shuen is entitled to exercise more than one-third of the voting power at the general meetings of Cranwood Company Limited.

By virtue of the SDI Ordinance, Cranwood Company Limited is deemed to be interested in the 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Schumann International Limited and Handel International Limited respectively in addition to 24,683,363 shares of the Company held by itself.

By virtue of the SDI Ordinance, Ms. Chau Hoi Shuen is deemed to be interested in 24,683,363 shares of the Company, 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Cranwood Company Limited, Schumann International Limited and Handel International Limited respectively.

Save as disclosed above, the directors are not aware of any other person having an interest in shares representing 10% or more of the issued share capital of the Company.

Connected Transactions

Significant related party transactions entered by the Group during the year ended 31 December 2002, which do not constitute connected transactions under the GEM Listing Rules are disclosed in note 34 to the accounts.

As disclosed in the paragraphs headed "Connected transactions" in the prospectus dated 18 February 2000 of the Company, the Group has entered into the following continuing connected transactions ("Ongoing Transactions") as defined under the GEM Listing Rules and on 29 February 2000 waiver was granted by the Stock Exchange from strict compliance with the requirements of Rules 20.35 and 20.36 of the GEM Listing Rules:

(1) Pursuant to a web content development and provision contract entered into between Super Cultural, a wholly-owned subsidiary of the Company, Mr. Wang Lei Lei and Beijing ECLink, a company owned as to 40% by Mr. Feng Qi, a past director of the Company, and as to 60% by Mr. Wang Qi (an employee of CKH group) dated 17 January 2000 (as amended by a supplemental agreement dated 28 January 2000 pursuant to which Mr. Wang Lei Lei was removed as a party from the agreement upon his appointment as an employee of the Group), Beijing ECLink agreed to create, develop and provide content and services to Super Cultural on a reimbursement of cost basis for a term of five years from the date of the contract. Pursuant to the waiver granted by the Stock Exchange, the annual amount payable to Beijing ECLink has been capped at HK$20,000,000 for each of the three years to 31 December 2002. During the year, no service has been provided by Beijing ECLink to Super Cultural. Caps to be set for the remaining term of the agreement after 2002 shall be determined in due course and are proposed to be approved on an annual basis by independent shareholders if the then proposed caps exceed the higher of HK$10,000,000 and 3% of the net tangible assets of the Company at that time.

(2) Pursuant to an advertising agreement originally entered into between the Company and Metro, an Associate of Easterhouse Limited and Romefield Limited, both being substantial shareholders of the Company, dated 13 January 2000 (as amended by a novation agreement and amendment agreement dated 28 January 2000 among the Company, Metro and TOM International), TOM International has agreed to buy commercial airtime for a term of 3 years expiring on 31 December 2002. During the year, TOM International has paid Metro HK$2,620,000 for the commercial airtime, being arrived at based on the rate which Metro charges other third parties for similar services. Pursuant to the waiver granted by the Stock Exchange, the annual amount payable to Metro has been capped at 3% of the consolidated net tangible assets of the Group as at 31 December of the preceding year for each of the three years to 31 December 2002. The said advertising agreement expired on 31 December 2002.

(3) Pursuant to a service agreement dated 20 January 2000 (as amended by an agreement dated 28 January 2000) entered into between TOM International and HIL, a wholly-owned subsidiary of HWL, HIL agreed to provide administrative and other support services, including company secretarial, corporate public relations and treasury services to TOM International on a reimbursement of cost basis for a term of 3 years expiring on 19 January 2003. Pursuant to the waiver granted by the Stock Exchange, the annual amount payable to HIL has been capped at HK$5,000,000 for each of the three years to 31 December 2002. During the year, HK$1,869,214 was paid by TOM International to HIL. The said service agreement expired on 19 January 2003.

(4) Pursuant to a multimedia master service agreement dated 20 January 2000 (as amended by an agreement dated 28 January 2000) entered into between the Company and HMSL, an Associate of HWL, HMSL agreed to provide facility management services to the Company at a cost of HK$343,900 per month, being arrived at based on the rate which HMSL would charge third parties for the provision of the same services, for a term of 3 years from the date of commencement of the provision of such services. An initial set up fee of HK$58,000 has been paid. Pursuant to the waiver granted by the Stock Exchange, the annual amount payable to HMSL has been capped at 3% of the consolidated net tangible assets of the Group as at 31 December of the preceding year for each of the three years to 31 December 2002. The aforesaid multimedia master service agreement expired on 17 January 2003.

Pursuant to the waiver granted by the Stock Exchange, the Ongoing Transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors have confirmed that the Ongoing Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) have not exceeded the relevant caps referred to above.

The auditors of the Company have also confirmed that the Ongoing Transactions (a) have received the approval of the Company's board of directors; (b) have been entered into in accordance with the relevant agreements governing the transactions; and (c) have not exceeded their respective caps.

During the year, the Group has also entered into the following notifiable connected transaction as defined under the GEM Listing Rules:

On 2 January 2002 TOM International has entered into a surrender agreement with The Center (47) Limited and The Center (48) Limited, both being wholly-owned subsidiaries of CKH, in respect of the surrender by TOM International of Units 4710-4713 of 47/F., The Center, 99 Queen's Road Central, Central, Hong Kong ("Premises"). Upon surrender of the Premises, the monthly rental for the retained portion of 47/F. and 48/F., The Center under the tenancy agreement dated 31 March 2000 (as amended) was reduced to HK$1,150,792.50.

The directors of the Company (including the independent non-executive directors) confirmed that the above connected transaction was contracted on normal commercial terms in the ordinary and usual course of business of the Group and that the terms of agreements are fair and reasonable so far as the independent shareholders of the Company are concerned.

Directors' Interests in Contracts

Mrs. Lee Pui Ling, Angelina is a partner of Woo, Kwan, Lee & Lo, a solicitors firm which provided professional services to the Group and charged usual professional fees during the year.

Save as disclosed above, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

A service agreement has been entered into between the Group and HIL, under which, HIL agreed to provide administrative and other support services, including company secretarial, corporate public relations and treasury services to the Group on a reimbursement of cost basis for a term of three years expiring on 19 January 2003.

Save as disclosed above, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Suppliers and Customers

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers and the sales attributable to the Group's five largest customers combined was less than 30% of the total value of the Group's purchases and sales.

None of the directors, their Associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

Audit Committee

The Company has established an audit committee in January 2000 with written terms of reference based on the guidelines set out in "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprises an executive director, Mr. Lee Kwok Ming, Don and two independent non-executive directors, namely Mrs. Lee Pui Ling, Angelina and Mr. Cheong Ying Chew, Henry. The audit committee has met 4 times during the year.

Directors' Interests in Competing Business

Set out below is information disclosed pursuant to Rule 11.04 of the GEM Listing Rules:

Mr. Frank John Sixt and Mrs. Chow Woo Mo Fong, Susan, the Chairman and a non-executive director of the Company respectively, are executive directors of HWL and directors of certain of its Associates (collectively referred to as "HWL Group"). Mr. Frank John Sixt is also a non-executive director of CKH and Mrs. Chow Woo Mo Fong, Susan, is also an executive director of HHR. Mr. Ip Tak Chuen, Edmond, a non-executive director of the Company, is an executive director of CKH and a director of certain of its Associates (collectively referred to as "CKH Group"). Both HWL Group and CKH Group are engaged in e-commerce projects and operates general information portals and HHR is engaged in Internet B2B investment. The directors believe that there is a risk that such businesses may compete with those of the Group.

Mr. Sing Wang, an executive director and the Chief Executive Officer of the Company, is a non-executive vice-chairman and shareholder of CYTS whose main business consists of the provision of on-line travel services in Mainland China. The directors believe that there is a risk that the business of CYTS may compete with those of the Group. However, the directors are also of the view that the invaluable experience of Mr. Sing Wang in the Internet industry will complement the development of the Group's business.

Mr. Wang Lei Lei, a non-executive director of the Company, is a director and a shareholder of Lei Ting Wu Ji whose main business consists of the provision of wireless data services. Mr. Wang Lei Lei is also a director and a shareholder of COA whose main business consists of the provision of WAP technical programming and application services. Mr. Wang Lei Lei has granted options to Devine Gem Management Limited (beneficially owned by Ms. Chau Hoi Shuen), under which, Devine Gem Management Limited is entitled at any time to acquire all of Mr. Wang Lei Lei's equity/shareholding interests in Lei Ting Wu Ji and COA. The directors believe that there is a risk that such businesses may compete with those of the Group. However, the directors are also of the view that the invaluable experience of Mr. Wang Lei Lei in the Internet industry will complement the development of the Group's business.

Save as disclosed above, none of the directors or the management shareholders of the Company (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group.

Advances to an Entity

Details of advances (including guarantee given by the Group) which are of non-trading nature, made by the Group to the following entities which remained outstanding as at 31 December 2002 are as follows:

Name of company	**Relationship with the Group**	**Advances** HK$'000	**Corporate guarantee** HK$'000
Maya Online	Investee company	11,271 *(Note 1)*	9,400 *(Note 4)*
		18,798 *(Note 2)*	
		70,899 *(Note 3)*	
Maya Cultural	Investee company	29,849 *(Note 5)*	–
CMN	Minority shareholder of a subsidiary	13,260 *(Note 6)*	–

Notes:

1. This advance to Maya Online made on 16 August 2000 is unsecured, bearing interest at the rate of 6.5% per annum and is repayable on or before 1 August 2010.
2. This advance to Maya Online made on 10 May 2001 is unsecured, bearing interest at the rate of 6% per annum and is repayable on or before 30 April 2011.
3. These advances to Maya Online made between the period from 27 December 2000 to 31 December 2002 are unsecured, interest free and repayable on demand.
4. This represents the corporate guarantee secured by the deposition of a fixed deposit of HK$9,400,000 for a bank loan of RMB10,000,000 granted to Maya Online on 26 September 2001 for working capital purposes. The aforesaid bank loan has been fully utilized by Maya Online.
5. These advances to Maya Cultural made between the period from 5 February 2001 to 31 December 2002 are unsecured, interest free and repayable on demand.
6. This advance to CMN made on 22 August 2001 is secured, bearing interest at Prime Rate and is repayable on or before 31 December 2003.

In strict compliance with Rules 17.17 and 17.22 of the GEM Listing Rules, details of all trade receivables of the Group outstanding as at 31 December 2002 are also required to be disclosed in the annual report. However, as the Group has numerous debtors, disclosure of the amount owed by each such debtors in accordance with the requirements under Rule 17.17 of the GEM Listing Rules would not be practical.

Trade receivables for an aggregate amount of HK$380,954,000 owed by a total of 3,445 debtors to the Group were outstanding as at 31 December 2002.

As at 31 December 2002, the ageing analysis of the Group's trade receivables was as follows:

	HK$'000
Current	201,788
31-60 days	75,721
61-90 days	37,548
Over 90 days	65,897
Total	**380,954**

Majority of the above trade receivables are unsecured and in accordance with terms specified in the contracts governing the relevant transactions.

In addition, in strict compliance with Rules 17.17 and 17.22 of the GEM Listing Rules, details of other receivables of the Group (such as current account balances which are not trade related, staff travelling advances, contract receivables for work in progress, tax receivables, interest receivables, etc.) totalling HK$74,476,000 outstanding as at 31 December 2002 are also required to be disclosed in the annual report. However, as such amount cannot be separately itemized, given that they are trivial, insignificant, numerous and immaterial, therefore disclosure of such amount in accordance with the requirements under Rule 17.17 of the GEM Listing Rules would not be practical.

Financial Assistance to Affiliated Companies

As at 31 December 2002, the Group provided the following financial assistance to the following affiliated companies:

Name of company	Relationship with the Group	Advances
		HK$'000
Redsail	Jointly controlled entity	9 *(Note i)*
ChinaPlus	Jointly controlled entity	53 *(Note ii)*
Cernet Online	Jointly controlled entity	1,644 *(Note iii)*

Notes:

(i) These advances to Redsail made between the period from 1 January 2002 to 31 December 2002 are unsecured, interest free and repayable on demand.

(ii) These advances to ChinaPlus made between the period from 1 January 2002 to 31 December 2002 are unsecured, interest free and repayable on demand.

(iii) These advances to Cernet Online made between the period from 1 January 2002 to 31 December 2002 are unsecured, interest free and repayable on demand.

The above advances were funded by internal resources of the Group and were made for the purpose of providing working capital for the respective companies.

The proforma combined balance sheet of the affiliated companies as at 31 December 2002 is set out as follows:

	HK$'000
Non-current assets	80,492
Current assets	122,996
Current liabilities	(100,900)
Non-current liabilities	(82,145)
Net assets	20,443
The Group's share of net assets	5,382

Application of Rule 19.18 of the GEM Listing Rules to the Group

Subsequent to completion of the acquisition of the entire issued share capital of Business Weekly in March 2002, the Group recorded a negative net tangible asset value. Since the consolidated net tangible asset value of TOM has become negative, therefore, any acquisition and disposal (however minor) would constitute a very substantial acquisition and a major transaction respectively, which would be subject to, among other things, the shareholders' approval. In view of the fact that the Group has been carrying out a significant number of transactions on a regular basis, the resultant onerous disclosure and approval obligation on the Company would neither be practical nor in the interest of the Company and its shareholders at large. TOM has sought a confirmation from the Stock Exchange that Rule 19.18 of the GEM Listing Rules ("Rule 19.18") would be applicable to the Group.

On 10 June 2002, the Company was informed that the GEM Listing Committee, having given regard to the consideration that Rule 19.18 contained specific provision for the GEM issuers with substantial intangible assets, and the application of Rule 19.18 would strike a balance between giving the Company flexibility to carry on its business activities and investors' protection, agreed to add back the intangible assets to the net tangible assets by the Company pursuant to Rule 19.18. Accordingly, the net assets will act as a parameter for the "asset ratio" and the "consideration ratio" ("Modified Ratio") in categorizing notifiable transactions under the Asset Test and the Consideration Test pursuant to Chapter 19 of the GEM Listing Rules.

As a condition, the percentage thresholds for classification of notifiable transactions are adjusted downwards as follows:

Type of transaction	Percentage thresholds for classification of notifiable transaction under the Asset Test and the Consideration Test
Share transaction	Less than 5% and involving issue of shares
Discloseable transaction	5% or more but less than 15%
Major transaction	15% or more but less than 25%
Very substantial acquisition	25% or more

For the avoidance of doubt, the Profits Test and the Capital Test will remain applicable to the Group and the disclosure and the approval requirements would remain unchanged and would be in accordance with the requirements of each type of transaction specified under Chapter 19 of the GEM Listing Rules.

The application of the above will continue until the earlier of (1) an amendment to the GEM Listing Rules in this area; or (2) the publication or the due date of this annual report (i.e. on or before 31 March 2003).

During the year and up to the date of this report, the Group has entered into the following transactions which were classified as notifiable transactions under Chapter 19 of the GEM Listing Rules by using the Modified Ratio calculation and the application of Rule 19.18:

Date of transaction	Highest percentage ratio of the four tests	Type of transaction	Description
21/6/2002	6.17% (Consideration Test)	Discloseable	Acquisition by TOM Outdoor Media Group (a wholly-owned subsidiary of the Company) of 60% of the equity interest in Sano Media at an aggregate consideration of RMB36,101,948 (approximately HK$34,058,442) (subject to adjustment). Details of which were disclosed in the circular of the Company dated 12 July 2002 and the announcement of the Company dated 20 December 2002.
21/6/2002	8.75% (Consideration Test)	Discloseable	Acquisition by TOM Outdoor Media Group of 50% of the equity interest in Yanhuang PRC Co., an outdoor media advertising company to be established in the PRC, at an aggregate consideration of RMB45,729,134 (approximately HK$43,140,692) (subject to adjustment). Details of which were disclosed in the circular dated 12 July 2002.
26/6/2002	5.24% (Consideration Test)	Discloseable	Acquisition by TOM Outdoor Media Group of 60% of the equity interest in Xiamen Bomei Lianhe Advertising Company Limited at an aggregate consideration of RMB30,658,796 (approximately HK$28,923,392) (subject to adjustment). Details of which were disclosed in the circular of the Company dated 17 July 2002 and the announcement of the Company dated 20 December 2002.

Date of transaction	Highest percentage ratio of the four tests	Type of transaction	Description
26/6/2002	10.89% (Consideration Test)	Discloseable	Acquisition by TOM Outdoor Media Group of 70% of the equity interest in Fujian Seeout Guangming Media Advertising Company Limited at an aggregate consideration of RMB63,661,797 (approximately HK$60,058,299) (subject to adjustment). Details of which were disclosed in the circular of the Company dated 17 July 2002 and the announcement of the Company dated 15 January 2003.
1/8/2002	8.94% (Consideration Test)	Discloseable	Acquisition by TOM Outdoor Media Group of 70% of the equity interest in Sichuan Southwest Outdoor Media Company Limited at an aggregate consideration of RMB52,286,255 (approximately HK$49,326,656) (subject to adjustment). Details of which were disclosed in the circular of the Company dated 22 August 2002 and the announcements of the Company dated 20 December 2002 and 15 January 2003.
15/8/2002	19.98% (Consideration Test)	Major	Acquisition by Modern Perfect Developments Limited (a wholly-owned subsidiary of the Company) of 60% of the issued share capital of Tennis Management Limited at an aggregate consideration of HK$100,828,800 which has been satisfied by the issue and allotment of 18,299,238 shares of the Company (credited as fully paid) at HK$5.51 per share. Details of which were disclosed in the circular of the Company dated 5 September 2002.
6/9/2002	0.35% (Consideration Test)	Share	Acquisition by TOM International of the web development and marketing production business from 36 Solutions Limited at an aggregate consideration of HK$1,760,000. The aforesaid consideration has been satisfied by (i) HK$460,000 in cash; and (ii) the issue and allotment of 235,935 shares of the Company (credited as fully paid) at HK$5.51 per shares. Details of which were disclosed in the announcement dated 6 September 2002.

Date of transaction	Highest percentage ratio of the four tests	Type of transaction	Description
9/9/2002	7.45% (Asset Test and Consideration Test)	Discloseable	Establishment of a joint venture in the PRC ("Joint Venture"), which will be engaged in the print media business, jointly by TOM International and Sanlian. The Joint Venture will be owned as to 49% by TOM International or the wholly-owned subsidiary(ies) of the Company ("TOM Subsidiary") and as to 51% by Sanlian. The total investment for the Joint Venture is RMB50,000,000 (approximately HK$47,169,811), of which (i) RMB24,500,000 (approximately HK$23,113,208) will be contributed in cash by TOM International or TOM Subsidiary as part of the registered capital of the Joint Venture; (ii) RMB15,500,000 (approximately HK$14,622,642) will be contributed in cash by Sanlian as part of the registered capital of the Joint Venture. TOM International will grant to Sanlian an interest-free loan for an amount equal to the aforesaid cash capital contribution by Sanlian; and (iii) RMB10,000,000 (approximately HK$9,433,962) will be contributed in kind by Sanlian. Details of which were disclosed in the circular of the Company dated 30 September 2002.
20/12/2002	12.9% (Consideration Test)	Discloseable	Acquisition by TOM Outdoor Media Group of 70% of the equity interest in Qingdao Chunyu Advertising Chuanbo Company Limited at a maximum amount of consideration of RMB70,000,000 (approximately HK$66,037,736) (subject to adjustment). Details of which were disclosed in the announcement of the Company dated 20 December 2002 and the circular of the Company dated 10 January 2003.
27/12/2002	For acquisition – 13.47% (Asset Test)	Discloseable	(I) Subscription by (i) TOM Print Media (a wholly-owned subsidiary of the Company) of new shares in Cité Publishing Holding, representing 76.71% of the enlarged issued share capital of Cité Publishing Holding at par value amounting to approximately US$38,355 (approximately HK$299,169); and (ii) HMG MI Shareholders (as defined in the circular of the Company dated 16 January 2003) of new shares in Cité Publishing Holding, representing 23.29% of the enlarged issued share capital of Cité Publishing Holding at par value amounting to an aggregate of approximately US$11,645 (approximately HK$90,831); and

Date of transaction	Highest percentage ratio of the four tests	Type of transaction	Description
	For disposal – 13.47% (Consideration Test)		(II) The acquisition by Cité Publishing Holding from (a) TOM Print Media of (i) the entire issued share capital of Diamond Profits Limited (which owns the entire issued share capital of Business Weekly); (ii) the entire issued share capital of Right Charm International Limited (which owns the entire issued share capital of Sharp Point); and (iii) 53.58% of the issued share capital of Home Media Group Limited (which owns the entire issued share capital of PC Home and 99.97% of the issued share capital of Cité) at an aggregate consideration of US$38,355 (approximately HK$299,169); and (b) the HMG MI Shareholders 46.42% of the issued share capital of Home Media Group Limited at an aggregate consideration of US$11,645 (approximately HK$90,831). Details of the above were disclosed in the circular of the Company dated 16 January 2003.
14/2/2003	38.68% (Consideration Test) *Note:* The assets to be acquired are regarded as listed assets since the subject companies are already the subsidiaries of the Company. Even though the percentage ratio under the Consideration Test is more than 25%, the transaction was classified as a major transaction under Rule 19.06(3) of the GEM Listing Rules.	Major	Offer by TOM Print Media to acquire in aggregate a maximum of 582,250 shares in Cité Publishing Holding (representing 11.645% of the enlarged issued share capital of Cité Publishing Holding) to be allotted and issued to the HMG MI Shareholders pursuant to the transaction described above. The maximum consideration payable by TOM Print Media is 39,491,198 shares of the Company (credited as fully paid) to be issued at a price of HK$5.51 per share. The offer shall lapse and have no further force or effect after 30 April 2003. Details of which were disclosed in the announcement dated 14 February 2003.

Guaranteed Profit

The Group had entered into the following transactions which included a provision whereby the relevant parties agreed to provide a guarantee to the Group in respect of the profits of the companies being acquired by the Group:

1. the acquisition by Commercelink Profits Limited (a wholly-owned subsidiary of the Company) of 70% of the equity interest in each of the YC Companies ("YC Acquisition"). Details of the YC Acquisition were disclosed in the circular of the Company dated 16 October 2000. Pursuant to the relevant agreement in respect of the YC Acquisition, Mr. Lee Kwong Sang and Ms. Fung Ling Chi, Sarah jointly and severally warrant and represent that the aggregate profit before taxation but after interest and depreciation of the YC Companies as audited in accordance with the HKGAAP for the years ended 31 December 2000, 2001 and 2002 shall not be less than HK$60 million and any shortfall will be paid by Mr. Lee and Ms. Fung;

2. the acquisition by TOM Outdoor Media Group of 60% of the equity interest in Qilu Outdoor Media ("Qilu Acquisition"). Details of the Qilu Acquisition were disclosed in the circular of the Company dated 21 February 2002 and the announcement of the Company dated 20 December 2002. Pursuant to the relevant agreement in respect of the Qilu Acquisition, Mr. Meng Xian Wei warrants that Qilu Outdoor Media will achieve a 15% annual increase in its after-tax profits for the year ended 31 December 2002, any shortfall will be deducted from Mr. Meng and/or Jinan Qilu Xinjiye Advertising Company Limited's share of any future dividend that may be declared by Qilu Outdoor Media; and

3. the acquisition by TOM Outdoor Media Group of 60% of the equity interest in Sano Media ("Sano Acquisition"). Details of the Sano Acquisition were disclosed in the circular of the Company dated 12 July 2002 and the announcement of the Company dated 20 December 2002. Pursuant to the relevant agreement in respect of the Sano Acquisition, Shenyang Sano Jinxiang Advertising Co., Ltd. ("Sano") and Mr. Wang Chengcheng warrant that Sano Media will attain the proforma audited after-tax profit of RMB6,800,000 for the year ended 31 December 2002. If the amount of the after-tax profit for the year ended 31 December 2002 is less than RMB6,800,000 but more than RMB6,250,000, then Sano and Mr. Wang will pay an amount equal to 60% of such shortfall to TOM Outdoor Media Group in cash.

As the audited financial statements of the YC Companies, Qilu Outdoor Media and Sano Media for the year ended 31 December 2002 have not yet been finalised, the Group has not yet determined whether the above profit guarantees have been fulfilled. If there is any shortfall, the Company will issue separate announcement to disclose the same.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

Subsequent Events

Details of significant events which have been taken place subsequent to the balance sheet date are set out in note 35 to the accounts.

Sponsor's Interests

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited (the "Sponsor"), as at 31 December 2002, an Associate of the Sponsor held 200,000 shares of the Company.

Save as disclosed above, as at 31 December 2002, neither the Sponsor nor its directors or employees or Associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company, including options or rights to subscribe for such securities.

Pursuant to the agreement dated 17 February 2000 entered into between the Company and the Sponsor, the Sponsor received a fee for acting as the Company's retained sponsor for the period from 17 February 2000 to 31 December 2002. In addition, the Sponsor would receive financial advisory and documentation fees for acting as the Company's financial adviser in relation to certain transactions.

Board Practices and Procedures

The Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the year, except that the non-executive directors of the Company are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

Purchase, Sale or Redemption of Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Frank John Sixt
Chairman

Hong Kong, 13 March 2003

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Auditors' report to the shareholders of TOM.COM LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 70 to 122 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 March 2003

Consolidated Profit & Loss Account

For the Year Ended 31 December 2002

	Note	2002 HK$'000	2001 HK$'000
Turnover	2	**1,624,126**	626,624
Cost of sales		**1,008,400**	479,292
Interest income	2	**(5,867)**	(23,069)
Selling and marketing expenses		**170,205**	86,890
Administrative expenses		**235,174**	127,186
Other operating expenses		**322,406**	186,917
Operating loss	3	**106,192**	230,592
Finance costs	4	**19,079**	1,395
Provision for impairment of goodwill		**197,108**	280,936
Provision for impairment of fixed assets		**–**	49,540
Restructuring costs		**–**	8,527
Share of losses of jointly controlled entities		**29,585**	35,856
Share of profits less losses of associated companies		**(20)**	3,164
Loss before taxation		**351,944**	610,010
Taxation	5	**29,080**	18,692
Loss after taxation		**381,024**	628,702
Minority interests		**28,555**	7,185
Loss attributable to shareholders		**409,579**	635,887
Loss per share – basic	8	**HK12.41 cents**	HK19.78 cents

Consolidated Balance Sheet

As at 31 December 2002

	Note	2002 HK$'000	2001 HK$'000
ASSETS			
Non-current assets			
Fixed assets	11	**250,868**	190,630
Other non-current assets	12	**98,781**	27,024
Goodwill	13	**953,899**	440,019
Interests in jointly controlled entities	15	**35,510**	125,632
Interests in associated companies	16	**4,601**	3,741
Investment securities	17	**126,406**	37,005
		1,470,065	824,051
Current assets			
Inventories	18	**108,260**	92,676
Trade and other receivables	19	**645,145**	516,831
Bank balances and cash	31	**329,893**	233,885
		1,083,298	843,392
Current liabilities			
Consideration payables – current	20	**431,478**	268,609
Trade and other payables	21	**541,366**	472,081
Taxation payable		**125,089**	64,376
Long term bank loans – current	23(a)	**561**	12,228
Short-term loans	22	**14,338**	48,405
		1,112,832	865,699
Net current liabilities		**29,534**	22,307
Total assets less current liabilities		**1,440,531**	801,744
Non-current liabilities			
Consideration payables – non-current	20	**130,670**	21,120
Other long-term liabilities	23	**874,659**	114,742
Deferred tax liabilities	25(b)	**9,147**	2,721
		1,014,476	138,583
Minority interests		**153,784**	84,158
Net assets		**272,271**	579,003
CAPITAL AND RESERVES			
Share capital	26	**332,187**	327,765
Reserves	28	**(54,688)**	252,329
Own shares held	29	**(5,228)**	(1,091)
Shareholders' funds		**272,271**	579,003

Sing Wang
Director

Lee Kwok Ming, Don
Director

Balance Sheet

As at 31 December 2002

	Note	2002 HK$'000	2001 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	14	**2,421,694**	1,516,999
Current assets			
Other receivables	19	**20,961**	23,552
Bank balances and cash		**14,433**	21,988
		35,394	45,540
Current liabilities			
Consideration payables – current	20	**431,478**	268,609
Other payables	21	**5,487**	20,133
		436,965	288,742
Net current liabilities		**401,571**	243,202
Total assets less current liabilities		**2,020,123**	1,273,797
Non-current liabilities			
Consideration payables – non-current	20	**130,670**	21,120
Other long-term liabilities	23	**850,000**	100,000
		980,670	121,120
Net assets		**1,039,453**	1,152,677
CAPITAL AND RESERVES			
Share capital	26	**332,187**	327,765
Reserves	28	**712,494**	826,003
Own shares held	29	**(5,228)**	(1,091)
Shareholders' funds		**1,039,453**	1,152,677

Sing Wang
Director

Lee Kwok Ming, Don
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2002

	2002 **HK$'000**	2001 HK$'000
At 1 January	**579,003**	787,057
Issuance of shares for acquisition of subsidiaries, net of issuing expenses	**87,597**	416,381
Exercise of share options, net of issuing expenses	**19,642**	12,912
Disposal of a subsidiary	**–**	150
Loss for the year	**(409,579)**	(635,887)
Exchange differences	**(255)**	(519)
Own shares held	**(4,137)**	(1,091)
At 31 December	**272,271**	579,003

Consolidated Cash Flow Statement

For the Year Ended 31 December 2002

	Note	2002 HK$'000	2001 HK$'000
Net cash outflow from operations	30(a)	**(75,203)**	(367,175)
Interest paid		**(19,205)**	(1,140)
Hong Kong profits tax paid		**(2,003)**	(1,718)
Overseas taxation paid		**(26,613)**	(1,807)
Net cash used in operating activities		**(123,024)**	(371,840)
Investing activities			
Interest received		**22,631**	22,521
Capital expenditure		**(166,698)**	(63,065)
Sale of fixed assets		**1,423**	4,852
Settlement of consideration payable for acquisition of subsidiaries in prior year		**(42,639)**	–
Acquisition of subsidiaries	30(b)	**(312,047)**	(298,974)
Deconsolidation/disposal of a subsidiary	30(c)	**(7,962)**	163
Purchase of other investments		**(1,685)**	(58,595)
Sales of other investments		**1,466**	–
Loans to related companies		**(500)**	(89,744)
Loans repayment from related companies		**3,760**	2,261
Dividends received		**130**	–
Net cash used in investing activities		**(502,121)**	(480,581)
Net cash used before financing		**(625,145)**	(852,421)
Financing	30(d)		
Issuance of ordinary shares, net of issuing expenses		**19,292**	12,912
New bank and other loans		**767,364**	141,317
Loan repayments		**(63,737)**	(9,499)
Contribution from minority shareholders		**1,410**	7,064
Dividends paid to minority shareholders		**(3,176)**	–
Net cash from financing		**721,153**	151,794
Increase/(decrease) in bank balances and cash		**96,008**	(700,627)
Bank balances and cash at 1 January		**233,885**	934,512
Bank balances and cash at 31 December		**329,893**	233,885

1. Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that certain investment securities are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 34 (revised):	Employee benefits

The adoption of these new and revised SSAPs has no material effect on the Group's results other than presentational changes in respect of Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement. Certain comparative figures have been reclassified to conform with the current year's presentation.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Group, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies and to appoint or remove majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

1. Principal accounting policies (continued)

(b) Consolidation (continued)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill on acquisition, net of accumulated amortisation and provision for impairment losses, if any.

(d) Associated companies

An associated company is a company, not being a subsidiary and a jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

1. Principal accounting policies (continued)

(e) Investment securities

Investment securities held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Where there is objective evidence that individual investment securities are impaired, the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Fixed assets are depreciated at rates sufficient to write-off their cost less accumulated impairment losses, if any, over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Properties	over the lease terms
Leasehold improvements	15-30%
Computer equipment	20-33$^1/_3$%
Outdoor signboards	5-20%
Office equipment, furniture, fixtures and motor vehicles	10-33$^1/_3$%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(g) Other non-current assets

(i) Concession rights

Concession rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Concession rights represent the cost of acquiring operating rights for the placement of advertisements on bus shelters and unipoles in the Mainland China. Concession rights are amortised on a straight-line basis over the period of operating rights.

1. Principal accounting policies (continued)

(g) Other non-current assets (continued)

(ii) Copyrights and publishing rights

Copyrights and publishing rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Copyrights and publishing rights represent the cost of acquiring reproduction and distribution rights for audio-visual products and publications. Copyrights and publishing rights are amortised on a straight-line basis over the period of operating rights.

(h) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, jointly controlled entity or associated company at the date of acquisition.

Goodwill on acquisitions arising on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is amortised over a maximum period of twenty years.

Goodwill on acquisition prior to 1 January 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

(i) Asset impairment

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that intangible and tangible assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

(j) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1. Principal accounting policies (continued)

(l) Trade receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(m) Employee benefits

(i) Pension obligations

The Group operates a number of defined contribution and defined benefit plans and the assets of which are generally held in separate trustees – administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies, taking account of the recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution plans are expensed as incurred.

For defined benefit plans, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. Actuarial gains and losses are recognised over the average remaining service lives of the employee. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

The Group's contributions to defined benefit pension plans are charged to the profit and loss account in the period to which the contributions relate.

(ii) Equity compensation benefits

Pursuant to written resolutions of the shareholders of the Company dated 11 February 2000, two share option schemes namely, Pre-IPO Share Option Plan and Employee Share Option Scheme were adopted by the Company. The options are granted and exercisable at the market price of the shares on the date of grant and no compensation cost is recognised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium account.

(n) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

1. Principal accounting policies (continued)

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(q) Revenue recognition

Revenue from sale of services is recognised when the services are rendered.

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis taking into account the principal amounts outstanding and the effective interest rates applicable.

(r) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

1. Principal accounting policies (continued)

(s) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(t) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses, including depreciation and amortisation. Segment assets consist primarily of fixed assets, other non-current assets, goodwill, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and pension obligations and exclude items such as consideration payables, taxation and corporate borrowings. Capital expenditure comprises additions to fixed assets, concession rights, copyrights and publishing rights.

In respect of geographical segment reporting, sales are based on the country in which the business is operated. Total assets and capital expenditure are where the assets are located.

2. Turnover, revenue and segment information

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out on pages 118 to 122.

Turnover and revenues recognised during the year are as follows:

	2002 HK$'000	2001 HK$'000
Turnover		
Provision of online media and telecom value-added services	**255,800**	143,890
Advertising sales of outdoor media assets and provision of outdoor media services	**247,895**	117,477
Advertising sales of print media and publication of magazines and books	**741,258**	168,286
Advertising and sponsorship sales in relation to sports event and programmes, sales of audio-visual products	**379,173**	196,971
	1,624,126	626,624
Interest income	**5,867**	23,069
Total revenues	**1,629,993**	649,693

2. Turnover, revenue and segment information (continued)

Primary reporting format – business segments

The Group is organised into four main business segments:

- Online division – provision of online media and telecom value-added services
- Outdoor media group – advertising sales of outdoor media assets and provision of outdoor media services
- Publishing division – advertising sales of print media and publication of magazines and books
- Sports & entertainment division – advertising and sponsorship sales in relation to sports event and programmes, sales of audio-visual products

There are no significant sales or other transactions between the business segments.

Secondary reporting format – geographical segments

The Group's four business segments are operated in three main geographical areas:

Hong Kong – online division, publishing division and sports & entertainment division

Mainland China – online division, outdoor media group and sports & entertainment division

Taiwan – publishing division

There are no significant sales between the geographical segments.

2. Turnover, revenue and segment information (continued)

Primary reporting format – business segments

	Year ended 31 December 2002				
	Online division HK$'000	Outdoor media group HK$'000	Publishing division HK$'000	Sports & entertainment division HK$'000	Group HK$'000
Turnover	255,800	247,895	741,258	379,173	1,624,126
Segment loss/(profit) before amortisation and depreciation	22,804	(77,285)	(70,484)	(64,012)	(188,977)
Amortisation and depreciation	68,438	33,236	40,779	3,609	146,062
Segment loss/(profit)	91,242	(44,049)	(29,705)	(60,403)	(42,915)
Unallocated costs					149,107
Operating loss					106,192
Finance costs					19,079
Provision for impairment of goodwill	100,100	67,008	30,000	–	197,108
Share of losses of jointly controlled entities	29,585	–	–	–	29,585
Share of profits less losses of associated companies	1,185	–	(1,205)	–	(20)
Loss before taxation					351,944
Taxation					29,080
Loss after taxation					381,024
Minority interests					28,555
Loss attributable to shareholders					409,579
Segment assets	277,277	673,666	998,821	305,962	2,255,726
Interests in jointly controlled entities	35,510	–	–	–	35,510
Interests in associated companies	1,470	–	3,131	–	4,601
Investment securities	61,292	45,205	19,157	752	126,406
Unallocated assets					131,120
Total assets					2,553,363
Segment liabilities	75,019	99,861	292,895	90,464	558,239
Unallocated liabilities					1,569,069
Minority interests					153,784
Total liabilities					2,281,092
Capital expenditure	60,847	52,368	13,916	33,234	160,365
Unallocated capital expenditure					6,333
					166,698

2. Turnover, revenue and segment information (continued)

Primary reporting format – business segments (continued)

	Year ended 31 December 2001				
	Online division HK$'000	Outdoor media group HK$'000	Publishing division HK$'000	Sports & entertainment division HK$'000	Group HK$'000
Turnover	143,890	117,477	168,286	196,971	626,624
Segment loss/(profit) before amortisation and depreciation	92,388	(62,358)	(370)	(21,436)	8,224
Amortisation and depreciation	80,432	11,570	6,450	379	98,831
Segment loss/(profit)	172,820	(50,788)	6,080	(21,057)	107,055
Unallocated costs					123,537
Operating loss					230,592
Finance costs					1,395
Provision for impairment of goodwill	280,936	–	–	–	280,936
Provision for impairment of fixed assets	49,540	–	–	–	49,540
Restructuring costs	8,527	–	–	–	8,527
Share of losses of jointly controlled entities	35,856	–	–	–	35,856
Share of losses of associated companies	2,428	–	736	–	3,164
Loss before taxation					610,010
Taxation					18,692
Loss after taxation					628,702
Minority interests					7,185
Loss attributable to shareholders					635,887
Segment assets	450,797	240,592	674,601	76,275	1,442,265
Interests in jointly controlled entities	125,632	–	–	–	125,632
Interests in associated companies	2,656	–	1,085	–	3,741
Investment securities	–	1,485	34,768	752	37,005
Unallocated assets					58,800
Total assets					1,667,443
Segment liabilities	152,721	36,416	229,057	50,525	468,719
Unallocated liabilities					535,563
Minority interests					84,158
Total liabilities					1,088,440
Capital expenditure	25,705	20,179	3,501	645	50,030
Unallocated capital expenditure					13,035
					63,065

2. Turnover, revenue and segment information (continued)

Secondary reporting format – geographical segments

	Turnover		Segment (profit)/loss	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
Hong Kong	**137,068**	96,085	**(300)**	44,331
Mainland China	**796,685**	413,350	**(99,744)**	(22,399)
Taiwan	**690,373**	117,189	**(88,933)**	(13,708)
	1,624,126	626,624	**(188,977)**	8,224
Amortisation and depreciation			**146,062**	98,831
Unallocated costs			**149,107**	123,537
Operating loss			**106,192**	230,592

	Total assets		Capital expenditure	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
Hong Kong	**161,328**	256,820	**1,494**	4,513
Mainland China	**1,141,858**	594,344	**145,687**	42,016
Taiwan	**952,540**	591,101	**13,184**	3,501
	2,255,726	1,442,265	**160,365**	50,030
Interests in jointly controlled entities	**35,510**	125,632	**–**	–
Interests in associated companies	**4,601**	3,741	**–**	–
Investment securities	**126,406**	37,005	**–**	–
Unallocated	**131,120**	58,800	**6,333**	13,035
Total	**2,553,363**	1,667,443	**166,698**	63,065

3. Operating loss

Operating loss is stated after charging the following:

	2002 HK$'000	2001 HK$'000
Depreciation	**104,851**	88,266
Amortisation		
– Goodwill	**49,514**	20,416
– Other non-current assets	**5,832**	383
Staff costs (including directors' remuneration) (Note 9)	**285,748**	191,741
Cost of inventories	**423,173**	92,175
Operating leases		
– Land & buildings	**42,692**	23,906
– Other assets	**35,626**	1,448
Auditors' remuneration	**4,900**	4,206
Loss on disposal of fixed assets	**1,390**	1,102
Provision for contract termination	**20,630**	–
Provision for loan to a related company	**13,260**	–
Provision for diminution in value of investment securities	**–**	6,334

4. Finance costs

	2002 HK$'000	2001 HK$'000
Interest on bank loans	**1,847**	671
Interest on other loans, wholly repayable within five years	**17,232**	724
Total borrowing costs incurred	**19,079**	1,395

5. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries which the Group operates. No recognition of the potential deferred tax assets relating to tax losses of the Group has been made as the recoverability of the potential deferred tax assets is uncertain.

The amount of taxation charged to the consolidated profit and loss account represents:

	2002 HK$'000	2001 HK$'000
Hong Kong profits tax	**6,098**	2,496
Overseas taxation	**40,302**	15,342
Over-provision of prior years	**(11,081)**	–
Deferred taxation (Note 25(c))	**(6,239)**	854
	29,080	18,692

6. Loss attributable to shareholders

The net loss of the Company is HK$216,326,000 (2001: HK$821,189,000) and is included in determining the loss attributable to the shareholders in the consolidated profit and loss account. The loss of the Company included a provision for impairment in interests in subsidiaries amounting to HK$197,108,000 (2001: HK$829,189,000) (Note 14).

7. Dividends

No dividend had been paid or declared by the Company during the year (2001: HK$Nil).

8. Loss per share

The calculation of basic loss per share is based on the audited consolidated loss attributable to shareholders of HK$409,579,000 (2001: HK$635,887,000) and the weighted average of 3,301,115,146 (2001: 3,215,055,403) ordinary shares in issue during the year.

The exercise of the share options granted by the Company would have an anti-dilutive effect on the loss per share for the years ended 31 December 2002 and 2001.

9. Staff costs, including directors' remuneration

	2002 HK$'000	2001 HK$'000
Wages and salaries	**274,778**	182,288
Pension costs – defined contribution plans	**5,808**	6,288
Pension costs – defined benefits plans (Note 24(b))	**5,162**	3,165
	285,748	191,741

10. Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	2002 HK$'000	2001 HK$'000
Fees	**549**	550
Basic salaries, housing allowances, other allowances and benefits in kind	**8,427**	7,847
Benefit from share options exercised	**–**	1,681
Discretionary bonuses	**3,789**	5,685
Contributions to retirement benefit schemes for directors (and past directors) of the Company	**581**	468
	13,346	16,231

Directors' fees disclosed above include HK$200,000 (2001: HK$200,000) paid to independent non-executive directors.

The current executive directors received individual emoluments of approximately HK$7,080,000 (2001: HK$6,376,000), HK$2,702,000 (2001: HK$3,461,667) and HK$2,855,752 (2001: HK$1,901,658) for the year ended 31 December 2002. A past executive director received individual emoluments, including the benefit from the exercise of share options, of approximately HK$Nil (2001: HK$3,941,611) for the year ended 31 December 2002.

Except for two non-executive directors received a director fee of HK$45,890 (2001: HK$50,000) and a director fee and other emoluments of HK$162,359 (2001: HK$Nil), each non-executive director received a director's fee of HK$50,000 (2001: HK$50,000) for the year ended 31 December 2002. Each of the two independent non-executive directors who are also members of the audit committee of the Company received a director's fee of HK$100,000 (2001: HK$100,000) for the year ended 31 December 2002. All non-executive directors and independent non-executive directors, save as the one as disclosed, did not receive any other emoluments.

10. Directors' and senior management's emoluments (continued)

(a) Directors' emoluments (continued)

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There has been no arrangement under which a director has waived or agreed to waive any emoluments for the year ended 31 December 2002.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2001: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2001: two) individuals during the year are as follows:

	2002 **HK$'000**	2001 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,691**	2,673
Benefit from share options exercised	**5,434**	3,805
Discretionary bonuses	**1,136**	2,286
Contributions to retirement benefit schemes	**199**	215
	9,460	8,979

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2002**	2001
HK$3,500,001 – HK$4,000,000	**1**	–
HK$4,000,001 – HK$4,500,000	**–**	1
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,500,001 – HK$6,000,000	**1**	–

11. Fixed assets

	Group						
	Properties HK$'000	**Leasehold improvements** HK$'000	**Computer equipment** HK$'000	**Outdoor signboards** HK$'000	**Other assets** HK$'000	**Construction in progress** HK$'000	**Total** HK$'000
Cost							
At 1 January 2002	12,058	40,108	259,452	63,941	40,873	909	417,341
Exchange adjustment	(7)	82	199	–	182	–	456
Additions	868	6,313	76,150	14,760	6,483	17,410	121,984
Acquisition of subsidiaries (Note 30(b))	–	1,659	22,436	52,160	12,133	5,945	94,333
Transfers upon completion	–	–	–	14,076	67	(14,143)	–
Disposals	–	(3,649)	(9,146)	(801)	(4,260)	–	(17,856)
Deconsolidation of a subsidiary (Note 30(c))	–	–	(504)	(16,035)	(309)	(8,448)	(25,296)
At 31 December 2002	**12,919**	**44,513**	**348,587**	**128,101**	**55,169**	**1,673**	**590,962**
Accumulated depreciation and impairment losses							
At 1 January 2002	131	22,054	160,431	22,761	21,334	–	226,711
Exchange adjustment	1	47	101	–	67	–	216
Acquisition of subsidiaries (Note 30(b))	–	769	12,911	8,480	5,966	–	28,126
Charge for the year	260	6,750	77,201	13,941	6,699	–	104,851
Disposals	–	(3,494)	(7,013)	(564)	(3,972)	–	(15,043)
Deconsolidation of a subsidiary (Note 30(c))	–	–	(341)	(4,381)	(45)	–	(4,767)
At 31 December 2002	**392**	**26,126**	**243,290**	**40,237**	**30,049**	**–**	**340,094**
Net book value							
At 31 December 2002	**12,527**	**18,387**	**105,297**	**87,864**	**25,120**	**1,673**	**250,868**
At 31 December 2001	11,927	18,054	99,021	41,180	19,539	909	190,630

The Group's interests in properties at their net book values are analysed as follows:

	Group	
	2002 **HK$'000**	2001 HK$'000
Outside Hong Kong, held on		
Leases of over 50 years	**12,340**	11,719
Leases of between 10 to 50 years	**187**	208
	12,527	11,927

12. Other non-current assets

	Group	
	2002 HK$'000	2001 HK$'000
Concession rights (Note)	**43,348**	13,764
Copyrights (Note)	**39,523**	–
Publishing rights (Note)	**1,911**	–
Loan to a related company	**–**	13,260
Pension assets (Note 24(a))	**1,349**	–
Deferred tax assets (Note 25(a))	**12,650**	–
	98,781	27,024

Note:

	Group			
	Concession rights HK$'000	**Copyrights** HK$'000	**Publishing rights** HK$'000	**Total** HK$'000
Cost				
At 1 January 2002	14,147	–	–	14,147
Additions	9,622	32,359	2,733	44,714
Acquisition of subsidiaries (Note 30(b))	26,062	8,457	–	34,519
At 31 December 2002	**49,831**	**40,816**	**2,733**	**93,380**
Accumulated amortisation				
At 1 January 2002	383	–	–	383
Acquisition of subsidiaries (Note 30(b))	1,386	997	–	2,383
Amortisation charge for the year	4,714	296	822	5,832
At 31 December 2002	**6,483**	**1,293**	**822**	**8,598**
Net book value				
At 31 December 2002	**43,348**	**39,523**	**1,911**	**84,782**
At 31 December 2001	13,764	–	–	13,764

13. Goodwill

	Group HK$'000
Cost	
At 1 January 2002	767,284
Exchange adjustment	13
Additions	749,049
At 31 December 2002	**1,516,346**
Accumulated amortisation and impairment losses	
At 1 January 2002	327,265
Impairment charge for the year	185,668
Amortisation charge for the year	49,514
At 31 December 2002	**562,447**
Net book value	
At 31 December 2002	**953,899**
At 31 December 2001	440,019

14. Interests in subsidiaries

	Company	
	2002 HK$'000	2001 HK$'000
Investments at cost – unlisted shares	**1**	1
Amounts due from subsidiaries	**4,610,042**	3,523,603
Amounts due to subsidiaries	**(1,275)**	(16,639)
Less: provisions	**(2,187,074)**	(1,989,966)
	2,421,694	1,516,999

The amounts due from and to subsidiaries are unsecured, interest free and with no fixed terms of repayment.

The list of the principal subsidiaries of the Group at 31 December 2002 is set out on pages 118 to 122.

15. Interests in jointly controlled entities

	Group	
	2002 **HK$'000**	2001 HK$'000
Share of net assets – unlisted shares	**35,510**	47,272
Goodwill on acquisition less accumulated amortisation and impairment losses	**–**	11,956
	35,510	59,228
Loans to jointly controlled entities	**–**	87,755
Less: provisions	**–**	(21,351)
	35,510	125,632

The list of the principal jointly controlled entities of the Group at 31 December 2002 is set out on pages 118 to 122.

During the year, a jointly controlled entity was reclassified as an investment security since the Group no longer has significant influence on the entity's operations. HK$61,292,000 of the loans to the entity, net of provisions, were transferred to loans and advances to investee companies (Note 17).

16. Interests in associated companies

	Group	
	2002 **HK$'000**	2001 HK$'000
Share of net assets – unlisted shares	**4,601**	3,741

The list of the principal associated companies of the Group at 31 December 2002 is set out on pages 118 to 122.

17. Investment securities

	Group	
	2002	2001
	HK$'000	HK$'000
Unlisted equity shares outside Hong Kong, at fair value	**35,265**	37,005
Loans and advances to investee companies	**91,141**	–
	126,406	37,005

The loans and advances to investee companies are unsecured, of which amounts totalling HK$30,069,000 (2001: HK$30,069,000) are interest bearing at rates ranging from 6% to 6.5% per annum and are repayable on or before 30 April 2011, and the remaining balances are interest free and repayable on demand.

The list of the principal investment securities of the Group at 31 December 2002 is set out on page 118 to 122.

18. Inventories

	Group	
	2002	2001
	HK$'000	HK$'000
Merchandise	**10,503**	1,949
Finished goods	**82,566**	77,932
Raw materials	**5,597**	1,078
Work in progress	**9,594**	11,717
	108,260	92,676

As at 31 December 2002, the carrying amount of inventories that are carried at net realisable value amounted to HK$Nil (2001: HK$77,000).

19. Trade and other receivables

	Group		Company	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
Trade receivables (Note a)	**380,954**	257,836	**–**	–
Prepayments, deposits and other receivables (Note b)	**264,191**	258,995	**20,961**	23,552
	645,145	516,831	**20,961**	23,552

Note:

(a) Majority of the Group's turnover is on open account terms and in accordance with terms specified in the contracts governing the relevant transactions.

As at 31 December 2002, the ageing analysis of the Group's trade receivables is as follows:

	Group	
	2002 HK$'000	2001 HK$'000
Current	**201,788**	102,462
31-60 days	**75,721**	39,116
61-90 days	**37,548**	27,470
Over 90 days	**65,897**	88,788
	380,954	257,836
Represented by:		
Receivables from related companies (Note)	**41,752**	7,833
Receivables from third parties	**339,202**	250,003
	380,954	257,836

Note:

The receivables from related companies beneficially owned by substantial shareholders of the Company, Cheung Kong (Holdings) Limited ("CKH"), amounted to HK$674,000 (2001: HK$Nil) and minority shareholders of subsidiaries of the Group and shareholders of investee companies amounted to HK$33,245,000 (2001: HK$Nil) and HK$7,833,000 (2001: HK$7,833,000), respectively.

19. Trade and other receivables (continued)

(b) The Group balances include amounts due from jointly controlled entities, associated companies and related companies of HK$1,706,000 (2001: HK$10,308,000), HK$68,000 (2001: HK$516,000) and HK$43,174,000 (2001: HK$18,608,000), respectively.

The balances due from jointly controlled entities and associated companies represent expenses paid on behalf of the jointly controlled entities and associated companies and are unsecured, interest free and repayable on demand.

The balances due from related companies represent expenses paid on behalf of the related companies and are unsecured, interest free and repayable on demand. The balances due from related companies beneficially owned by the substantial shareholders of the Company, Hutchison Whampoa Limited ("HWL") and CKH, amounted to HK$3,546,000 (2001: HK$10,147,000) and minority shareholders of subsidiaries of the Group amounted to HK$39,628,000 (2001: HK$8,461,000).

20. Consideration payables

	Group and Company	
	2002 HK$'000	2001 HK$'000
Acquisition of subsidiaries (Note a)	**367,148**	94,729
Acquisition of an investment security (Note b)	**195,000**	195,000
	562,148	289,729
Represented by:		
– current	**431,478**	268,609
– non-current	**130,670**	21,120
	562,148	289,729

Note:

(a) This represents consideration payables with respect to the acquisition of subsidiaries that will be satisfied by cash and/or the issuance of shares of the Company pursuant to the terms of the respective acquisition agreements.

(b) This represents the balance of the consideration payable with respect to the acquisition of a 50% equity interest of Shanghai Maya Online Broadband Network Company Limited. The directors intend to issue equity shares to settle the consideration payable, subject to further negotiation in respect of share price and time schedule.

21. Trade and other payables

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (Note a)	**207,069**	188,568	**–**	–
Other payables and accruals (Note b)	**334,297**	283,513	**5,487**	20,133
	541,366	472,081	**5,487**	20,133

Note:

(a) As at 31 December 2002, the ageing analysis of the Group's trade payables is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Current	**86,554**	102,496
31-60 days	**31,278**	20,177
61-90 days	**26,382**	21,208
Over 90 days	**62,855**	44,687
	207,069	188,568

(b) The Group balances include amounts due to associated companies and related companies of HK$Nil (2001: HK$1,112,000) and HK$56,672,000 (2001: HK$5,006,000). The amounts due to associated companies and related companies represent expenses paid on behalf of the Group by the associated companies and related companies and are unsecured, interest free and repayable on demand. The balances due to related companies beneficially owned by the substantial shareholders of the Company, HWL and CKH, amounted to HK$6,414,000 (2001: HK$5,006,000) and minority shareholders of subsidiaries of the Group amounted to HK$50,258,000 (2001: HK$Nil).

22. Short-term loans

	Group	
	2002	2001
	HK$'000	HK$'000
Bank loans		
Secured	**3,164**	29,979
Unsecured	**9,400**	2,522
	12,564	32,501
Other loans		
Secured	**876**	13,486
Unsecured	**898**	2,418
	1,774	15,904
	14,338	48,405

23. Other long-term liabilities

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Long-term bank loans (Note a)	**2,243**	2,223	**–**	–
Loans from shareholders (Note b)	**850,000**	100,000	**850,000**	100,000
Loans from minority shareholders (Note c)	**3,850**	1,866	**–**	–
Pension obligations (Note 24(a))	**18,566**	10,653	**–**	–
	874,659	114,742	**850,000**	100,000

Note:

(a) Long-term bank loans

	Group	
	2002	2001
	HK$'000	HK$'000
Secured	**559**	14,451
Unsecured	**2,245**	–
Current portion of long-term bank loans	**(561)**	(12,228)
	2,243	2,223
The bank loans are repayable as follows:		
Within one year	**561**	12,228
In the second year	**40**	2,223
In the third to fifth year	**1,804**	–
After the fifth year	**399**	–
	2,804	14,451

(b) Loans from shareholders

These represented unsecured loans from the substantial shareholders of the Company, HWL, CKH and Cranwood Company Limited ("Cranwood"), in the amounts of HK$340,000,000 (2001: HK$40,000,000), HK$170,000,000 (2001: HK$20,000,000) and HK$340,000,000 (2001: HK$40,000,000), respectively. In accordance with the Facility Letters dated 10 December 2001 and Supplemental Facility Letters dated 12 March 2003, the Group was granted unsecured loan facilities of up to an aggregate of HK$850,000,000 at interest rate of 50 basis points over 3 months HIBOR. The loans will be repayable by the end of 2004.

(c) Loans from minority shareholders

The loan from minority shareholders are unsecured, interest free and not repayable within the next twelve months from the balance sheet date.

24. Pension assets and obligations

The Group operates certain defined benefits pension plans in Hong Kong and Taiwan. These pension plans are either final salary defined benefit plans or with minimum guaranteed return rate on plan assets. The assets of the funded plans are generally held independently of the Group assets in separate trustee administered funds. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method. Defined benefit plans in Hong Kong and Taiwan are valued by Watson Wyatt Hong Kong Limited and KPMG Consulting Co., Ltd., respectively.

(a) The pension assets/obligations recognised in the balance sheet are determined as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Present value of funded obligations	**29,805**	12,569
Fair value of plan assets	**(9,536)**	(1,472)
Deficits	**20,269**	11,097
Unrecognised actuarial losses	**(3,052)**	(444)
Recognised in the balance sheet	**17,217**	10,653
Represented by:		
Pension assets (Note 12 and Note c)	**(1,349)**	–
Pension obligations (Note 23 and Note d)	**18,566**	10,653
	17,217	10,653

(b) The amounts recognised in the profit and loss account are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Current service cost	**5,860**	2,647
Interest cost	**984**	534
Expected return on plan assets	**(596)**	(59)
Net actuarial losses recognised	**48**	43
Recognition of transitional liability	**(1,134)**	–
Total, included in staff cost (Note 9)	**5,162**	3,165
Represented by:		
Pension assets (Note c)	**913**	–
Pension obligations (Note d)	**4,249**	3,165
	5,162	3,165

The actual return on plan assets recognised as a liability and an asset were HK$407,000 and HK$16,000 in 2002 and 2001, respectively.

24. Pension assets and obligations (continued)

(c) Movements in the pension assets recognised in the balance sheet are as follows:

	Group	
	2002 **HK$'000**	2001 HK$'000
At 1 January	**–**	–
Total expenses (Note b)	**913**	–
Contributions paid	**(2,262)**	–
At 31 December	**(1,349)**	–

(d) Movements in the pension obligations recognised in the balance sheet are as follows:

	Group	
	2002 **HK$'000**	2001 HK$'000
At 1 January	**10,653**	–
Acquisition of subsidiaries	**4,795**	8,080
Total expenses (Note b)	**4,249**	3,165
Contributions paid	**(1,131)**	(592)
At 31 December	**18,566**	10,653

(e) The principal actuarial assumptions used are as follows:

	Group	
	2002	2001
Discount rate	**4% – 5%**	4.25%
Expected rate of return on plan assets	**3.25% – 8%**	4%
Expected rate of future salary increases	**3% – 5%**	3%

25. Deferred taxation

(a) Deferred tax assets

	Group	
	2002	2001
	HK$'000	HK$'000
Credited to consolidated profit and loss account and as at 31 December (Note c)	**(12,650)**	–
Provided for in respect of other timing differences	**(12,650)**	–

(b) Deferred tax liabilities

	Group	
	2002	2001
	HK$'000	HK$'000
At 1 January	**2,721**	–
Acquisition of subsidiaries	**–**	1,887
Charged to consolidated profit and loss account (Note c)	**6,411**	854
Exchange adjustment	**15**	(20)
At 31 December	**9,147**	2,721
Provided for in respect of undistributable profits	**9,147**	2,721

(c) Deferred taxation to profit and loss account

	Group	
	2002	2001
	HK$'000	HK$'000
Deferred tax assets (Note a)	**(12,650)**	–
Deferred tax liabilities (Note b)	**6,411**	854
Deferred taxation (credited)/charged to consolidated profit and loss account (Note 5)	**(6,239)**	854

26. Share capital

Company – Authorised	**Ordinary shares of HK$0.1 each**	
	No. of shares	HK$'000
At 31 December 2001 and 2002	**5,000,000,000**	**500,000**

Company – Issued and fully paid	**Ordinary shares of HK$0.1 each**	
	No. of shares	HK$'000
At 1 January 2001	3,159,390,899	315,939
Issuance of shares	118,254,909	11,826
At 31 December 2001	3,277,645,808	327,765
At 1 January 2002	**3,277,645,808**	**327,765**
Issuance of shares	**44,220,150**	**4,422**
At 31 December 2002	**3,321,865,958**	**332,187**

Note:

(a) On 7 January, 21 February, 13 March, 15 March and 14 June 2002, 3,632,000, 908,000, 3,340,000, 2,724,000 and 450,000 ordinary shares were allotted and issued at HK$1.78 each pursuant to Pre-IPO Share Option Plan, respectively.

(b) On 7 February, 24 May, 20 September, 18 October and 9 December 2002, 4,300,000, 7,833,977, 18,299,238, 235,935 and 2,497,000 ordinary shares were allotted and booked at prices ranging between HK$1.85 and HK$5.5 per share, which were the fair value calculated based on the average closing price quoted on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the calendar month immediately prior to the date of acquisitions or the closing price quoted on the Stock Exchange at the date of acquisition, where applicable, as part of the considerations for the acquisition of subsidiaries, respectively.

27. Share option schemes

Pursuant to written resolutions of the shareholders of the Company dated 11 February 2000, two share option schemes namely, Pre-IPO Share Option Plan ("Pre-IPO Share Option Plan") and the Employee Share Option Scheme (as amended by an addendum on 24 April 2002) ("Share Option Scheme") (collectively referred to as the "Schemes") were adopted by the Company.

Pursuant to the Pre-IPO Share Option Plan, the Company may grant options to any full-time employees of the Company or of its subsidiaries or of HWL or any subsidiary of HWL to subscribe for shares in the Company. However, save for the options which have been granted on 11 February 2000, no further options may be granted upon the listing of the shares of the Company on the Growth Enterprise Market of the Stock Exchange on 1 March 2000. The subscription price per share under the Pre-IPO Share Option Plan is HK$1.78 and the options have vested in three tranches in the proportion of 20%: 30%: 50% on 11 February 2001, 2002 and 2003, respectively.

Pursuant to the Share Option Scheme, the Board may, at its discretion, invite any participant (including any employee and director of the Group and of any company in which the Group owns or controls 20% or more of its voting rights and/or issued share capital, business associate and trustee) to take up options to subscribe for shares in the Company. The options granted under the Share Option Scheme can be exercised at prices ranging from HK$3.76 to HK$11.3 per share at any time within the option period of ten years from the respective dates of grant, provided that the options have been vested. Generally, the options are vested in different tranches and may be exercised within the option period unless they are cancelled.

The maximum number of shares in respect of which options may be granted under the Schemes shall not exceed 329,254,980 shares, being 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme.

Movements in share options are as follows:

	2002 Number of share options		2001 Number of share options	
	Pre-IPO Share Option Plan	**Share Option Scheme**	Pre-IPO Share Option Plan	Share Option Scheme
Outstanding at 1 January	**36,330,000**	**121,824,000**	48,426,000	152,088,000
Granted	**–**	**64,230,000**	–	–
Exercised	**(7,422,000)**	**–**	(4,832,000)	–
Lapsed	**(12,712,000)**	**(12,926,000)**	(7,264,000)	(30,264,000)
Cancelled	**–**	**(63,624,000)**	–	–
Outstanding at 31 December	**16,196,000**	**109,504,000**	36,330,000	121,824,000

27. Share option schemes (continued)

Details of share options granted under Share Option Scheme during 2002 are:

Number of options granted	64,230,000
Expiry date	6 February 2012
Subscription price per share	HK$3.76

Terms of the share options outstanding at 31 December 2002 are:

Expiry date	**Subscription price**	**2002**	2001
10 February – 14 November 2010	HK$1.78 – HK$11.30	**62,476,000**	158,154,000
6 February 2012	HK$3.76	**63,224,000**	–
		125,700,000	158,154,000

28. Reserves

	Group						
	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	General reserves HK$'000	Exchange difference HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2001	1,813,482	(377)	776	–	(28)	(1,342,735)	471,118
Issuance of shares for acquisition of subsidiaries	405,280	–	–	–	–	–	405,280
Exercise of share options	12,187	–	–	–	–	–	12,187
Disposal of a subsidiary	150	–	–	–	–	–	150
Loss for the year	–	–	–	–	–	(635,887)	(635,887)
Transfer to general reserves	–	–	–	139	–	(139)	–
Exchange difference	–	–	–	–	(519)	–	(519)
At 31 December 2001	2,231,099	(377)	776	139	(547)	(1,978,761)	252,329
Analysed by:							
Company and subsidiaries	2,231,099	(377)	776	139	(512)	(1,917,321)	313,804
Jointly controlled entities	–	–	–	–	(35)	(52,046)	(52,081)
Associated companies	–	–	–	–	–	(9,394)	(9,394)
At 31 December 2001	2,231,099	(377)	776	139	(547)	(1,978,761)	252,329

28. Reserves (continued)

	Group						
	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	General reserves HK$'000	Exchange difference HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2002	2,231,099	(377)	776	139	(547)	(1,978,761)	252,329
Issuance of shares for acquisition of subsidiaries, net of issuing expenses	84,280	–	–	–	–	–	84,280
Exercise of share options, net of issuing expenses	18,537	–	–	–	–	–	18,537
Loss for the year	–	–	–	–	–	(409,579)	(409,579)
Transfer to general reserves	–	–	–	204	–	(204)	–
Exchange difference	–	–	–	–	(255)	–	(255)
At 31 December 2002	2,333,916	(377)	776	343	(802)	(2,388,544)	(54,688)
Analysed by:							
Company and subsidiaries	2,333,916	(377)	776	343	(802)	(2,374,464)	(40,608)
Jointly controlled entities	–	–	–	–	–	(9,652)	(9,652)
Associated companies	–	–	–	–	–	(4,428)	(4,428)
At 31 December 2002	2,333,916	(377)	776	343	(802)	(2,388,544)	(54,688)

28. Reserves (continued)

	Company				
	Share premium account HK$'000	**Contribution surplus** HK$'000	**Capital redemption reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2001	2,288,126	23,565	776	(1,082,742)	1,229,725
Issuance of shares for acquisition of subsidiaries	405,280	–	–	–	405,280
Exercise of share options	12,187	–	–	–	12,187
Loss for the year	–	–	–	(821,189)	(821,189)
At 31 December 2001	2,705,593	23,565	776	(1,903,931)	826,003
At 1 January 2002	**2,705,593**	**23,565**	**776**	**(1,903,931)**	**826,003**
Issuance of shares for acquisition of subsidiaries	**84,630**	**–**	**–**	**–**	**84,630**
Exercise of share options	**18,571**	**–**	**–**	**–**	**18,571**
Share issuing expenses	**(384)**	**–**	**–**	**–**	**(384)**
Loss for the year	**–**	**–**	**–**	**(216,326)**	**(216,326)**
At 31 December 2002	**2,808,410**	**23,565**	**776**	**(2,120,257)**	**712,494**

Note:

The Company's reserves available for distribution calculated under Companies Law of the Cayman Islands comprise the share premium account, contributed surplus and accumulated losses totalling HK$711,718,000 (2001: HK$825,227,000). In the opinion of the directors of the Company, the net reserves of the Company available for distribution to shareholders amounted to HK$175,234,000 (2001: HK$288,743,000).

29. Own shares held

Own shares held represent the cost of 2,681,373 (2001: 607,845) ordinary shares in the Company held by certain subsidiaries and are deducted in arriving at the shareholders' funds.

30. Notes to the consolidated cash flow statement

(a) Reconciliation of operating loss to net cash outflow from operating activities

	2002 HK$'000	2001 HK$'000
Operating loss	**(106,192)**	(230,592)
Restructuring costs	**–**	(8,527)
Provision for diminution in value of investment securities	**–**	6,334
Provision for loan to a related company	**13,260**	–
Amortisation and depreciation	**160,197**	109,065
Loss on disposal of fixed assets	**1,390**	1,102
Gain on disposal of a subsidiary	**–**	(13)
Gain on disposal of other investment	**(30)**	–
Operating profit/(loss) before working capital changes	**68,625**	(122,631)
Increase in pension assets	**(1,349)**	–
Decrease in inventories	**7,027**	2,486
Increase in trade and other receivables	**(129,447)**	(120,851)
Decrease in trade and other payables	**(14,920)**	(104,676)
Increase in pension obligations	**3,218**	2,697
Interest income	**(5,867)**	(23,069)
Exchange adjustment	**(2,490)**	(1,131)
Net cash outflow from operations	**(75,203)**	(367,175)

30. Notes to the consolidated cash flow statement (continued)

(b) Acquisition of subsidiaries

	2002 HK$'000	2001 HK$'000
Net assets acquired		
Fixed assets	**66,207**	47,772
Other non-current assets	**32,136**	1,328
Interests in associated companies	**1,620**	1,822
Investment securities	**10,698**	34,687
Inventories	**21,766**	93,755
Trade and other receivables	**98,956**	292,858
Bank balances and cash	**124,027**	45,721
Trade and other payables	**(175,714)**	(278,768)
Taxation payable	**(12,131)**	(41,086)
Bank and other loans	**–**	(29,947)
Loans from minority shareholders	**(2,350)**	(1,895)
Pension obligations	**(4,795)**	(8,080)
Deferred tax liabilities	**–**	(1,887)
Minority interests	**(57,398)**	(68,993)
	103,022	87,287
Goodwill	**749,049**	446,240
	852,071	533,527
Satisfied by:		
Cash	**436,074**	344,695
Allotment of shares	**58,091**	107,836
Consideration payables	**344,913**	80,996
Interests in jointly controlled entities held prior to acquisitions	**1,104**	–
Investment securities held prior to acquisitions	**11,889**	–
	852,071	533,527

The subsidiaries acquired during the year contributed HK$63,405,000 (2001: HK$15,197,000) to the Group's net operating cash flows, paid HK$913,000 (2001: HK$267,000) in respect of the net returns on investments and servicing of finance and utilised HK$93,742,000 (2001: HK$6,608,000) for investing activities.

The financial position as at 31 December 2002 and post acquisition profit in respect of subsidiaries acquired during the year amounted to HK$152,887,000 (2001: HK$92,482,000) and HK$50,389,000 (2001: HK$6,015,000) respectively.

30. Notes to the consolidated cash flow statement (continued)

(b) Acquisition of subsidiaries (continued)

Analysis of the net cash outflow in respect of acquisition of subsidiaries is as follows:

	2002 HK$'000	2001 HK$'000
Cash consideration	**(436,074)**	(344,695)
Bank balances and cash acquired	**124,027**	45,721
Net cash outflow in respect of acquisition of subsidiaries	**(312,047)**	(298,974)

(c) Deconsolidation/disposal of a subsidiary

	2002 HK$'000	2001 HK$'000
Net assets deconsolidated/disposed of:		
Fixed assets	**20,529**	–
Investment securities	**122**	–
Trade and other receivables	**37,884**	17
Bank balances and cash	**7,962**	–
Trade and other payables	**(36,954)**	(17)
Taxation payable	**(7,291)**	–
Minority interests	**(11,126)**	–
Goodwill	**–**	150
	11,126	150
Profit on disposal	**–**	13
	11,126	163
Satisfied by:		
Reclassification as investment securities	**(11,126)**	–
Cash	**–**	163
	(11,126)	163

Analysis of the net cash (outflow)/inflow in respect of the deconsolidation/disposal of a subsidiary is as follows:

	2002 HK$'000	2001 HK$'000
Cash consideration	**–**	163
Bank balances and cash deconsolidated	**(7,962)**	–
Net cash (outflow)/inflow in respect of deconsolidation/disposal of a subsidiary	**(7,962)**	163

A subsidiary is excluded from consolidation during the year since there are severe restrictions that impair the Group's ability to exercise control over its operations. The subsidiary has been reclassified as an investment security of the Group.

30. Notes to the consolidated cash flow statement (continued)

(d) Analysis of changes in financing during the year

	Share capital including premium and capital reserve HK$'000	Bank loans HK$'000	Loans from shareholders HK$'000	Loans from minority shareholders HK$'000	Other loans HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2001	2,129,044	1,410	–	–	–	1,003	2,131,457
Cash items							
Issuance of ordinary shares, net of issuing expenses	12,912	–	–	–	–	–	12,912
New bank and other loans	–	30,423	100,000	–	10,894	–	141,317
Loan repayments	–	(2,223)	–	–	(7,276)	–	(9,499)
Contribution from a minority shareholder	–	–	–	–	–	7,064	7,064
Non cash items							
Shares issued for acquisition of subsidiaries	416,381	–	–	–	–	–	416,381
Minority's share of profits of subsidiaries	–	–	–	–	–	7,185	7,185
Acquisition of subsidiaries	–	17,585	–	1,895	12,362	68,993	100,835
Disposal of a subsidiary	150	–	–	–	–	–	150
Elimination of own shares held	(1,091)	–	–	–	–	–	(1,091)
Exchange adjustment	–	(243)	–	(29)	(76)	(87)	(435)
At 31 December 2001	2,557,396	46,952	100,000	1,866	15,904	84,158	2,806,276

30. Notes to the consolidated cash flow statement (continued)

(d) Analysis of changes in financing during the year (continued)

	Share capital including premium and capital reserve HK$'000	Bank loans HK$'000	Loans from shareholders HK$'000	Loans from minority shareholders HK$'000	Other loans HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2002	**2,557,396**	**46,952**	**100,000**	**1,866**	**15,904**	**84,158**	**2,806,276**
Cash items							
Issuance of ordinary shares, net of issuing expenses	**19,292**	–	–	–	–	–	**19,292**
New bank and other loans	–	**14,966**	**750,000**	**1,500**	**898**	–	**767,364**
Loan repayments	–	**(46,692)**	–	**(1,866)**	**(15,179)**	–	**(63,737)**
Contribution from minority shareholders	–	–	–	–	–	**1,410**	**1,410**
Dividends paid to minority shareholders	–	–	–	–	–	**(3,176)**	**(3,176)**
Non cash items							
Shares issued for acquisition of subsidiaries	**87,947**	–	–	–	–	–	**87,947**
Minority's share of profits of subsidiaries	–	–	–	–	–	**28,555**	**28,555**
Acquisition of subsidiaries (Note 30(b))	–	–	–	**2,350**	–	**57,398**	**59,748**
Deconsolidation of a subsidiary	–	–	–	–	–	**(11,126)**	**(11,126)**
Elimination of own shares held	**(4,137)**	–	–	–	–	–	**(4,137)**
Dividends declared to minority shareholders	–	–	–	–	–	**(3,900)**	**(3,900)**
Exchange adjustment	–	**142**	–	–	**151**	**465**	**758**
At 31 December 2002	**2,660,498**	**15,368**	**850,000**	**3,850**	**1,774**	**153,784**	**3,685,274**

31. Pledge of assets

(a) At 31 December 2002, bank deposits and cash totalling HK$10,981,424 (2001: HK$63,230,000) were pledged to banks for securing banking facilities granted to the Group's subsidiaries and an investee company.

(b) At 31 December 2002, concession rights and properties of HK$2,759,840 (2001: HK$Nil) and HK$559,605 (2001: HK$Nil) respectively were pledged to banks for securing banking facilities granted to the Group's subsidiaries.

32. Contingent liabilities

As at 31 December 2002, the Group had contingent liabilities amounting to approximately HK$9,400,000 (2001: HK$81,371,000) in respect of the provision of fixed deposits amounting to approximately HK$9,400,000 (2001: HK$9,400,000) as securities for bank loans granted to an investee company in which the Group has 50% equity interest.

33. Commitments

(a) Capital commitments

	Group	
	2002 HK$'000	2001 HK$'000
Acquisition of new investments		
– Contracted but not provided for	**52,006**	370,287
Acquisition of fixed assets		
– Contracted but not provided for	**19,349**	45,545
– Authorised but not contracted for	**7,757**	–
	79,112	415,832

33. Commitments (continued)

(b) Commitments under operating leases

At 31 December 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2002		2001	
	Land and buildings HK$'000	**Other assets HK$'000**	Land and buildings HK$'000	Other assets HK$'000
Not later than one year	**34,273**	**30,300**	29,780	23,894
Later than one year and not later than five years	**39,506**	**79,681**	44,924	83,948
Later than five years	**747**	**66,308**	–	158,163
	74,526	**176,289**	74,704	266,005

(c) The Company did not have any commitments at 31 December 2002 (2001: HK$Nil).

34. Related party transactions

In the opinion of the directors of the Company, the following is a summary of significant related party transactions, in addition to those disclosed in notes 17, 19, 21 and 23 to the accounts.

	Note	Group 2002 HK$'000	Group 2001 HK$'000
Sales to	(i)		
– HWL and its subsidiaries		**1,354**	1,440
– a joint venture of HWL		**32**	2,300
– Metro Broadcast Corporation Limited ("Metro"), an associated company of HWL and CKH		**547**	–
– CKH and its subsidiaries		**867**	–
– a jointly controlled entity		**1,676**	–
– minority shareholders of subsidiaries and their subsidiaries		**72,859**	7,834
Cost of sales payable to	(ii)		
– minority shareholders of subsidiaries		**51,296**	41,933
Internet content supply, event air-time and advertising expenses payable to Metro		**3,435**	3,043
Office rental receivable from Metro	(iii)	**1,580**	1,655
Office and warehouse rental and service fees payable to related companies	(iv)		
– an equity joint venture of HWL and CKH		**3,607**	5,390
– a subsidiary of CKH		**10,356**	12,807
– subsidiaries of minority shareholders		**921**	–
Service fees payable to	(v)		
– a subsidiary of HWL		**5,712**	4,812
Service fees payable to	(vi)		
– HWL and its subsidiaries		**3,414**	1,510
– an investee company		**6,821**	3,442
– subsidiaries of minority shareholders		**6,391**	3,357
– a company owned by a past non-executive director		**468**	–
Interest income receivable from loans to	(vii)		
– an investee company		**1,886**	1,608
– a minority shareholder of a subsidiary		**677**	250
Interest expenses payable to	23(b)		
– a subsidiary of HWL		**6,145**	47
– a subsidiary of CKH		**3,073**	23
– Cranwood		**6,145**	47

34. Related party transactions (continued)

Note:

(i) Sales to related companies are principally at terms no less favourable than those sales to third party customers of the Group.

(ii) Cost of sales were payable to the minority shareholders of subsidiaries at market rates.

(iii) Rental of office premises was charged to Metro based on the floor areas occupied.

(iv) The rental and service fees were payable to the related companies for office premises and warehouses leased to the Group. The office premises and warehouses were leased to the Group at market rates.

(v) The service fees were recharged by a subsidiary of HWL on cost reimbursement basis for the provision of administrative, information technology and consultancy services.

(vi) The service fees were payable to related companies for the provision of goods and services rendered at market rates.

(vii) Interests on loans to related companies were calculated at interest rates comparable to market.

35. Subsequent events

On 14 February 2003, the Group made an offer to the minority shareholders of a subsidiary in Taiwan to acquire a maximum of 11.645% of the issued share capital of that subsidiary by issuance of a maximum of 39,491,198 TOM shares at HK$5.51 each. The subsidiary will be the holding company of the Taiwan print media companies of the Group upon the completion of a restructuring of the Taiwan print media group.

36. Approval of accounts

The accounts were approved by the board of directors on 13 March 2003.

Principal Subsidiaries, Jointly Controlled Entities, Associated Companies & Investment Securities

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	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Effective interest held
	Online division				
	AASTOCKS.com LIMITED, changed to subsidiary on 1 April 2002	Hong Kong, limited liability company	Operates financial website in Hong Kong	23,000,000 ordinary shares of HK$1 each	50%
	Advanced Internet Services Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000,000 ordinary shares of US$0.01 each	100%
	Beijing GreaTom United Technology Company Limited	Mainland China, limited liability company	Development of operating platform for broadband internet value-added services in Mainland China	Registered capital RMB25,000,000	70%
@	Beijing Lei Ting Wan Jun Network Technology Limited	Mainland China, limited liability company	Provision of internet content services and telecom value-added services in Mainland China	Registered capital RMB11,000,000	100%
@	Beijing Lu Jing Ling Advertising Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB1,000,000	100%
*	Beijing Redsail Netlegend Data Network Technology Company Limited	Mainland China, limited liability company	Provision of interactive call centre in Mainland China	Registered capital RMB62,800,000	40%
	Beijing Super Channel Network Limited	Mainland China, limited liability company	Development of software, information system, computer network and website products in Mainland China	Registered capital US$13,000,000	100%
	Cernet Information Technology Company Limited, acquired on 1 January 2002	Mainland China, limited liability company	Provision of system integration and consultancy services in Mainland China	Registered capital RMB60,000,000	51%
*	Cernet Online Company Limited	Mainland China, limited liability company	Acts as primary internet services provider in Mainland China	Registered capital RMB10,000,000	37%

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Effective interest held
	Online division				
*	ChinaPlus (Beijing) Company Limited	Mainland China, limited liability company	Operates interactive marketing business in Mainland China and Taiwan	Registered capital US$3,500,000	50%
	ECLink Electronic Network Systems (Shenzhen) Company Limited.	Mainland China, limited liability company	Software, electronics and computer network system development in Mainland China	Registered capital US$3,000,000	100%
^	Shanghai Maya Online Broadband Network Company Limited, changed to investment security on 1 October 2002	Mainland China, limited liability company	Operates a website and engages in content provision and development in Mainland China	Registered capital of RMB50,000,000	50%
#	She Communications Limited	Hong Kong, limited liability company	Operates a fashion website in Hong Kong	2 ordinary shares of HK$10 each	33.3%
	Stocks Technology Enterprises Limited, changed to subsidiary on 1 April 2002	British Virgin Islands ("BVI"), limited liability company	Holds AASTOCKS.com software license in Hong Kong	1 ordinary share of US$1	50%
	tom.com (china) investment limited	Mainland China, limited liability company	Investment holding in Mainland China	Registered capital US$30,000,000	100%
	tom.com enterprises limited	BVI, limited liability company	Holds the domain name of www.tom.com	1 ordinary share of US$1	100%
	TOM.COM INTERNATIONAL LIMITED	Hong Kong, limited liability company	Operates tom.com portal and manages strategic investments of the Group in Hong Kong	10 ordinary shares of HK$1 each	100%
@	深圳市新飛網信息技術有限公司	Mainland China, limited liability company	Operates 163.net, e-mails service provider in Mainland China	Registered capital RMB23,000,000	100%

Principal Subsidiaries, Jointly Controlled Entities, Associated Companies & Investment Securities

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Effective interest held
	Outdoor Media Group				
@	Fujian Seeout Guangming Media Advertising Company Limited, acquired on 1 July 2002	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB5,000,000	70%
@	Henan New Tianming Advertising and Information Chuanbo Company Limited, acquired on 1 April 2002	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB6,000,000	50%
@	Kunming Fench Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	100%
@	Kunming Fench Star Information Industry Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	100%
@	Liaoning New Star Guangming Media Assets Company Limited, acquired on 1 April 2002	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB10,000,000	60%
	Perfect Team Limited	BVI, limited liability company	Advertising sales in Mainland China	4,000,000 ordinary shares of US$1 each	65%
@	Qingdao Chunyu Advertising Chuanbo Company Limited, acquired on 1 April 2002	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB1,500,000	70%
@	Shandong Qilu International Outdoor Media Company Limited, acquired on 1 April 2002	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	60%
^	Shanghai Maya Cultural Transmission Company Limited, changed to investment security on 1 October 2002	Mainland China, limited liability company	Provision of advertising and marketing services in Mainland China	Registered capital RMB20,000,000	50%
@	Shenyang Sano Global Media Company Limited, acquired on 1 July 2002	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB3,000,000	60%
@	Sichuan Southwest Outdoor Media Company Limited, acquired on 1 August 2002	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB3,000,000	70%
	TOM Outdoor Media Group Limited	BVI, limited liability company	Investment holding in Mainland China	1 ordinary share of US$1	100%
@	Xiamen Bomei Lianhe Advertising Company Limited, acquired on 1 July 2002	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB1,500,000	60%

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Effective interest held
Publishing Division				
Business Weekly Publishing Inc., acquired on 1 January 2002	Taiwan, limited liability company	Publishing of magazines in Taiwan	2,069,120 ordinary shares of NT$10 each	100%
Cité Publishing Limited	Taiwan, limited liability company	Publishing of books in Taiwan	28,171,506 ordinary shares of NT$10 each	53.6%
Home Media Group Limited	Cayman Islands, limited liability company	Investment holding in Taiwan	999,892,935 ordinary shares of US$0.00001 each	53.6%
Nong Nong Magazine Company Limited, acquired on 1 January 2002	Taiwan, limited liability company	Publishing of magazines in Taiwan	250,000 ordinary shares of NT$100 each	80%
PC Home Publications Inc.	Taiwan, limited liability company	Publishing of magazines which focus on information technology in Taiwan	18,310,000 ordinary shares of NT$10 each	53.6%
Sharp Point Publishing Company Limited	Taiwan, limited liability company	Publishing of youth magazines and books in Taiwan	10,296,000 ordinary shares of NT$10 each	100%
TOM (Cup Magazine) Publishing Limited	Hong Kong, limited liability company	Publishing of magazines in Hong Kong	2 ordinary shares of HK$1 each	100%
Yazhou Zhoukan Limited	Hong Kong, limited liability company	Publishing of regional news magazines in Asia	9,500 ordinary shares of HK$1 each	50%

Principal Subsidiaries, Jointly Controlled Entities, Associated Companies & Investment Securities

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Effective interest held
Sports & Entertainment Division				
Media Serv Limited, acquired on 5 September 2002	BVI, limited liability company	Advertising and sponsorship sales in relation to sports event and programmes in Hong Kong	200 ordinary shares of US$1 each	60%
Y.C. Press Advertising Limited	Hong Kong, limited liability company	Sports advertising and event management in Mainland China and Hong Kong	6,000 ordinary shares of HK$100 each	70%
@ 廣州市鴻翔音像製作有限公司, acquired on 16 October 2002	Mainland China, limited liability company	Sales of audio-visual products in Mainland China	Registered capital RMB800,000	50%
@ 廣東羊城報業體育發展有限公司	Mainland China, limited liability company	Manages sponsorships and marketing of sports events and production of TV sports programs in Mainland China	Registered capital RMB5,000,000	70%
@ 廣東羊城報業廣告有限公司	Mainland China, limited liability company	Advertising, corporate image design and sale of products in Mainland China	Registered capital RMB1,980,000	70%

* Jointly controlled entity

\# Associated company

@ The equity interest is held by individual nominees on behalf of the Group

^ Investment security

Note:

The above table lists the principal subsidiaries, jointly controlled entities, associated companies and investment securities of the Group at 31 December 2002 which, in the opinion of the directors of the Company, principally affect the results and net assets of the Group. To give full details of subsidiaries, jointly controlled entities, associated companies and investment securities would, in the opinion of the directors of the Company, result in particulars of excessive length.

Except for tom.com enterprises limited, TOM.COM INTERNATIONAL LIMITED and TOM Outdoor Media Group Limited which are directly held by the Company, the interests in the remaining subsidiaries, jointly controlled entities, associated companies and investment securities are held indirectly.

Definitions

"Assets Test"	means the net tangible assets of the subject of the transaction divided by the net tangible assets of the listed issuer as prescribed under Rule 19.07 of the GEM Listing Rules
"Associates"	means the same definition as described under the GEM Listing Rules
"Beijing ECLink"	means 北京易網通科技發展有限公司 (Beijing ECLink Science and Technology Development Company Limited)
"Beijing Super Channel"	means 北京訊能網絡有限公司 (Beijing Super Channel Network Limited)
"Board"	means the board of directors of TOM
"Business Weekly"	means 商周文化事業股份有限公司 (Business Weekly Publishing Inc.)
"Capital Test"	means the nominal value of the listed issuer's equity capital issued as consideration divided by the nominal value of the listed issuer's issued equity capital immediately before the transaction as prescribed under Rule 19.07 of the GEM Listing Rules
"CCTV"	means China Central TV
"Cernet Online"	means 北京賽爾在線通信技術有限公司 (Cernet Online Company Limited)
"Charm"	means 北京昌榮藝術廣告公司 (Beijing Charm Art & Advertising Co. Ltd.)
"ChinaPlus"	means 北京中時通互動科技有限公司 (ChinaPlus (Beijing) Company Limited)
"Cité"	means 城邦文化事業股份有限公司 (Cité Publishing Limited)
"Cité Publishing Holding"	means Cité Publishing Holding Limited
"CKH"	means Cheung Kong (Holdings) Limited
"CMN"	means China Media Network (BVI) Limited
"COA"	means Communication Over The Air Inc.
"Consideration Test"	means the consideration divided by the net tangible assets of the listed issuer as prescribed under Rule 19.07 of the GEM Listing Rules
"CYTS"	means 中青旅電子商務有限公司 (China Youth Travel Services E-commerce Co.)
"ECLink"	means 易網通電子網絡系統(深圳)有限公司 (ECLink Electronic Network Systems (Shenzhen) Company Limited)
"Fench Media"	means 昆明風馳傳媒有限公司 (Kunming Fench Media Company Limited)
"GEM"	means the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	means the Rules Governing the Listing of Securities on the GEM
"Greater China"	means Mainland China, Hong Kong, Macau and Taiwan
"GreaTom"	means 北京長通聯合寬帶網絡技術有限公司 (Beijing GreaTom United Technology Company Limited)
"HHR"	means Hutchison Harbour Ring Limited
"HIBOR"	means Hong Kong Interbank Offered Rate
"HIL"	means Hutchison International Limited
"HMSL"	means Hutchison Multimedia Services Limited
"Hong Xiang"	means 廣州鴻翔音像製作有限公司
"HWL"	means Hutchison Whampoa Limited

"IPO"	means Initial Public Offering
"Lei Ting Wu Ji"	means 北京雷霆無極網絡科技有限責任公司 (Beijing Lei Ting Wu Ji Network Technology Limited)
"Mainland China" or "Mainland"	means The People's Republic of China, excluding Hong Kong, Macau and Taiwan
"Maya Cultural"	means 上海美亞文化傳播有限公司 (Shanghai Maya Cultural Transmission Company Limited)
"Maya Online"	means 上海美亞在線寬頻網絡有限公司 (Shanghai Maya Online Broadband Network Company Limited)
"Maya Group"	means Maya Cultural and Maya Online
"Metro"	means Metro Broadcast Corporation Limited
"Ming Sheng"	means 河南省名勝廣告有限公司 (Henan Ming Sheng Advertising Co. Ltd.)
"PC Home"	means 電腦家庭文化事業股份有限公司 (PC Home Publications Inc.)
"Popular Computer Group"	means 電腦報社 and 重慶中科普傳媒發展股份有限公司
"PRC"	means the People's Republic of China
"Prime Rate"	means the Hong Kong Dollar best lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited
"Profits Test"	means the profits attributable to the net tangible assets the subject of the transaction divided by the profits of the listed issuer as prescribed under Rule 19.07 of the GEM Listing Rules
"Qilu Outdoor Media"	means 山東齊魯國際戶外傳媒有限公司 (Shandong Qilu International Outdoor Media Company Limited)
"Redsail"	means 北京紅帆網神數據網絡技術有限公司 (Beijing Redsail Netlegend Data Network Technology Company Limited)
"Sanlian"	means 生活 • 讀書 • 新知三聯書店
"Sano Media"	means 瀋陽沙諾環球傳媒有限公司 (Shenyang Sano Global Media Company Limited)
"SDI Ordinance"	means the Securities (Disclosure of Interests) Ordinance
"Sharp Point"	means 尖端出版股份有限公司 (Sharp Point Publishing Co., Limited)
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Super Cultural"	means Super Cultural Limited
"Tennis Management Group"	means Tennis Management Limited and its subsidiaries
"Tianming Advertising"	means 河南新天明廣告信息傳播有限公司 (Henan New Tianming Advertising & Information Chuanbo Company Limited)
"TOM" or the "Company"	means TOM.COM LIMITED
"TOM Group" or the "Group"	means TOM and its subsidiaries
"TOM International"	means TOM.COM INTERNATIONAL LIMITED
"TOM Print Media"	means TOM Print Media Group Limited
"TOM Outdoor Media Group" or "OMG"	means TOM Outdoor Media Group Limited
"YC Companies"	means Y.C. Press Advertising Limited, 廣東羊城報業廣告有限公司 and 廣東羊城報業體育發展有限公司

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